



ANUAL REPORT 2013

TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA

# COMPOSITION OF THE TELECOMMUNICATIONS REGULATORY COMMISSION (TRCSL) & THE STAFF AS AT 31 DEC 2013.

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*Member*

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*Member*

Mr. Prasanna de Silva  
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*Director General*

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*Actg. Secretary to the Commission*

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**INTERNAL AUDIT DIVISION**

Ms. U.A. Samarathunga  
*Chief Internal Auditor*

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# LIST OF ACRONYMS

|               |                                                             |
|---------------|-------------------------------------------------------------|
| <b>ACAD</b>   | - Administration & Corporate Affairs Division               |
| <b>AD</b>     | - Active Directory                                          |
| <b>ADSL</b>   | - Asymmetric Digital Subscriber Line                        |
| <b>AGM</b>    | - Annual General Meeting                                    |
| <b>APT</b>    | - Asia Pacific Telecommunity                                |
| <b>BOI</b>    | - Board of Investment                                       |
| <b>CAPIC</b>  | - Cabinet Appointed Project Implementation Committee        |
| <b>CDMA</b>   | - Code Division Multiple Access                             |
| <b>CEIEC</b>  | - China National Electronic Imports and Exports Corporation |
| <b>CID</b>    | - Criminal Investigation Department                         |
| <b>CMA</b>    | - Certified Management Accountant                           |
| <b>CMC</b>    | - Colombo Municipal Council                                 |
| <b>CTO</b>    | - Commonwealth Telecommunication Organization               |
| <b>DG</b>     | - Director General                                          |
| <b>DMS</b>    | - Department of Management Services                         |
| <b>DPM</b>    | - Data Protection Manager                                   |
| <b>ECL</b>    | - Environment Conservation Levy                             |
| <b>EDGE</b>   | - Enhanced Data rates for Global Evolution                  |
| <b>FDI</b>    | - Foreign Direct Investment                                 |
| <b>FTTH</b>   | - Fibre to the Home                                         |
| <b>GDP</b>    | - Gross Domestic Product                                    |
| <b>GHz</b>    | - Giga Hertz                                                |
| <b>4G LTE</b> | - 4th Generation Long-Term Evolution                        |
| <b>GMDSS</b>  | - Global Maritime Distress Safety System                    |
| <b>GPRS</b>   | - General Packet Radio Service                              |
| <b>HRC</b>    | - Human Rights Commission                                   |
| <b>HRD</b>    | - Human Resources Development                               |
| <b>HSPA</b>   | - High-Speed Packet Access                                  |
| <b>ICT</b>    | - Information and Telecommunications Technology             |

|                      |                                                                    |
|----------------------|--------------------------------------------------------------------|
| <b>ICTA</b>          | - Information and Communication Technology Agency                  |
| <b>IMO</b>           | - International Maritime Organization                              |
| <b>ISDB</b>          | - Integrated Services Digital Broadcasting                         |
| <b>ISDP-T</b>        | - Integrated Services Digital Broadcast – Terrestrial              |
| <b>ITO</b>           | - International Telecommunications Operator                        |
| <b>ITU</b>           | - International Telecommunications Union                           |
| <b>JICA</b>          | - Japanese International Cooperation Agency                        |
| <b>KIV</b>           | - Korean IT Volunteers                                             |
| <b>MoE</b>           | - Ministry of Education                                            |
| <b>MSL</b>           | - Mobile & Fixed Subscribers Levy                                  |
| <b>NBI</b>           | - National Broadband Initiative                                    |
| <b>NIA</b>           | - National Information Society Agency                              |
| <b>NIBM</b>          | - National Institute of Business Management                        |
| <b>NSF</b>           | - National Science Foundation                                      |
| <b>PAYE</b>          | - Pay As You Earn                                                  |
| <b>PC</b>            | - Personal Computers/ Procurement Committee                        |
| <b>PCU</b>           | - Project Consultancy Committee                                    |
| <b>PIR &amp; LAD</b> | - Policy International Relations & Licence Administration Division |
| <b>PSTN</b>          | - Public Switching Telephone Network                               |
| <b>QoS</b>           | - Quality of Service                                               |
| <b>REPO</b>          | - (A Repurchase Agreement)                                         |
| <b>RF</b>            | - Radio Frequency                                                  |
| <b>RTTE</b>          | - Radio and Telecommunications Terminal Equipment                  |
| <b>SAARC</b>         | - South Asian Association for Regional Co-operation                |
| <b>SAFIR</b>         | - South Asian Forum for Infrastructure Regulation                  |
| <b>SAFIR</b>         | - South Asian Forum for Infrastructure Regulation                  |

|               |                                                              |              |                                                               |
|---------------|--------------------------------------------------------------|--------------|---------------------------------------------------------------|
| <b>SATRC</b>  | - <i>South Asian Telecommunication Regulators' Council</i>   | <b>USTTI</b> | - <i>United States Telecommunications Training Institute</i>  |
| <b>SCCM</b>   | - <i>System Center Configuration Manager</i>                 | <b>VAT</b>   | - <i>Value Added Tax</i>                                      |
| <b>SEARCC</b> | - <i>The South East Asia Regional Computer Confederation</i> | <b>VDSL</b>  | - <i>Very-high-bit-rate Digital Subscriber Line</i>           |
| <b>SLT</b>    | - <i>Sri Lanka Telecom</i>                                   | <b>WCIT</b>  | - <i>World Conference on International Telecommunications</i> |
| <b>TDB</b>    | - <i>Telecommunication Development Bureau</i>                | <b>WiMAX</b> | - <i>Worldwide Interoperability for Microwave Access</i>      |
| <b>TDC</b>    | - <i>Telecommunications Development Charge</i>               | <b>WTISD</b> | - <i>World Telecommunication and Information Society</i>      |
| <b>TEC</b>    | - <i>Technical Evaluation Committee</i>                      | <b>WTSA</b>  | - <i>World Telecommunication Standardization Assembly</i>     |
| <b>UCSC</b>   | - <i>University of Colombo School of Computing</i>           |              |                                                               |
| <b>UMTS</b>   | - <i>Universal Mobile Telecommunications System</i>          |              |                                                               |
| <b>UK</b>     | - <i>United Kingdom</i>                                      |              |                                                               |
| <b>UNHCR</b>  | - <i>United Nations High Commissioner for Refugees</i>       |              |                                                               |

# OVERVIEW OF TELECOMMUNICATION SECTOR

CHAPTER

1

The Telecommunications sector has played a very important role in the development process of the country in the recent past. For the purpose of regulating this sector, the Telecommunications Regulatory Commission of Sri Lanka (TRCSL) has been established as a statutory body under the Sri Lanka Telecommunications Act, No. 25 of 1991, as amended by the Sri Lanka Telecommunications (amendment) Act, No.27 of 1996 and it presently functions under the Presidential Secretariat.

One main function of the TRCSL is granting of licenses to operate telecommunication systems within the country. As at end of 2013, there were 43 licensed telecommunication system operators as shown in table 1.1.

**Licensed Telecom System Operators as at Dec. 2013** (Table 1.1)

| Category of Service                               | Number |
|---------------------------------------------------|--------|
| Fixed Access Telephone service                    | 3      |
| Cellular Mobile phones                            | 5      |
| Data Communications (Facility based)              | 6      |
| Data Communications (Non-facility based) & (ISPs) | 9      |
| Trunk Mobile Radio                                | 1      |
| Leased Circuit Providers                          | 1      |
| Licensed Payphone Service Providers               | 1      |
| External Gateway Operators                        | 10     |
| Direct-to-Home Satellite Broadcasting Service     | 3      |
| Cable TV Distribution Network                     | 4      |
| Total                                             | 43     |

The technologies of the fixed access telephone service providers include WiMAX (Worldwide Interoperability for Microwave Access), ADSL (Asymmetric Digital Subscriber line), VDSL2 (Very-high-bit-rate Digital Subscriber Line 2), and FTTH (Fiber-to-the-Home). Mobile Technologies include 4GLTE(4th Generation Long-Term Evolution), GPRS (General Packet Radio Service), EDGE(Enhanced Data rates for Global Evolution), UMTS(Universal Mobile Telecommunications System), HSPA (High Speed Packet Access), and HSPA+ (Evolved High-Speed Packet Access).

The changes in the number of subscribers, growth rates and penetration rates over time (table 1.2) will provide an insight into the telecommunication sector.

As at end of 2013, there were approximately 2.7 Mn. fixed access subscribers and 20.3 Mn. cellular subscribers in the country. The change in the number of fixed and mobile subscribers, the respective annual growth rates and the penetration rates during the period 2000 - 2013 are shown in table 1.2.

**Subscribers, Annual Growth Rates and Penetration Rates, 2000-2013** (Table 1.2)

| Year | Subscriber Type |            |                | Annual Growth Rate (%) |        |                | Penetration Rate (%) |        |                |
|------|-----------------|------------|----------------|------------------------|--------|----------------|----------------------|--------|----------------|
|      | Fixed           | Mobile     | Fixed & Mobile | Fixed                  | Mobile | Fixed & Mobile | Fixed                | Mobile | Fixed & Mobile |
| 2000 | 767,411         | 430,202    | 1,197,613      | 14.7                   | 67.6   | 29.4           | 4.0                  | 2.3    | 6.3            |
| 2001 | 827,195         | 667,662    | 1,494,857      | 7.8                    | 55.2   | 24.8           | 4.4                  | 5.6    | 8.0            |
| 2002 | 883,108         | 931,403    | 1,814,511      | 6.8                    | 39.5   | 21.4           | 4.6                  | 4.7    | 9.5            |
| 2003 | 939,013         | 1,393,403  | 2,332,416      | 6.3                    | 49.6   | 28.5           | 4.9                  | 7.2    | 12.1           |
| 2004 | 991,239         | 2,211,158  | 3,202,397      | 5.6                    | 58.7   | 37.3           | 5.1                  | 11.4   | 16.5           |
| 2005 | 1,243,994       | 3,361,775  | 4,605,769      | 25.5                   | 52.0   | 43.8           | 6.3                  | 17.1   | 23.4           |
| 2006 | 1,884,076       | 5,412,496  | 7,296,572      | 51.5                   | 61.0   | 58.4           | 9.5                  | 27.3   | 36.7           |
| 2007 | 2,742,059       | 7,983,489  | 10,725,548     | 45.5                   | 47.5   | 47.0           | 13.7                 | 39.8   | 53.5           |
| 2008 | 3,446,411       | 11,082,454 | 14,528,865     | 25.7                   | 38.8   | 35.5           | 17.0                 | 54.8   | 71.9           |
| 2009 | 3,435,958       | 14,264,442 | 17,700,400     | -0.3                   | 28.7   | 21.8           | 16.8                 | 69.0   | 86.6           |
| 2010 | 3,534,575       | 17,267,407 | 20,801,982     | 2.9                    | 21.1   | 17.5           | 17.1                 | 83.6   | 100.7          |
| 2011 | 3,608,932       | 18,319,447 | 21,928,379     | 2.1                    | 6.1    | 5.4            | 17.3                 | 87.8   | 105.1          |
| 2012 | 3,449,391       | 20,234,070 | 23,683,461     | -4.4                   | 10.5   | 8.0            | 17.0                 | 99.5   | 116.5          |
| 2013 | 2,706,787       | 20,315,150 | 23,021,937     | -21.5                  | 0.4    | -2.8           | 13.2                 | 99.2   | 112.4          |

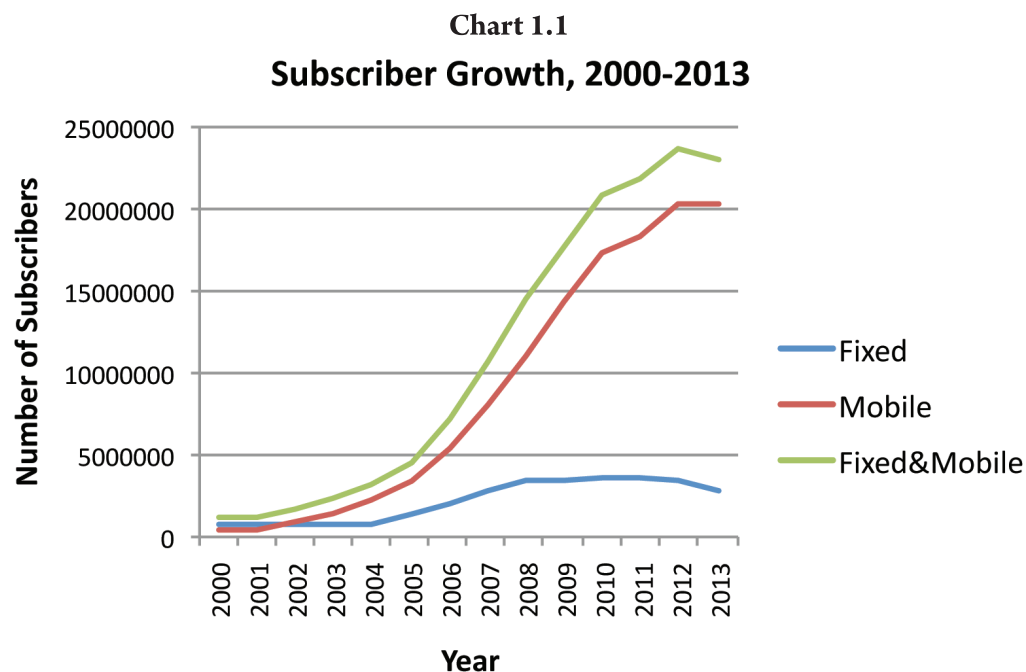
*Note: The definition of Active subscriber has been revised in January 2013*



From 2002 onwards the number of mobile telephone subscribers has outnumbered the fixed telephone subscribers every year. There has been an increase in the number of fixed telephone subscribers up to 2008 and a drop in the years 2009, 2012 and 2013 respectively. The drop in the year 2013 is conspicuous.

In the case of mobile telephony, the number of subscribers has continuously increased during the period 2000 to 2013. In fact there has been an exponential growth of mobile subscribers during the early period. It should be noted that in early 2013, the Telecommunications Regulatory Commission revised criteria relevant to classification of active subscribers which resulted in a reduction in fixed wireless connections and mobile connections.

The growth of subscribers is graphically presented in chart 1.1.



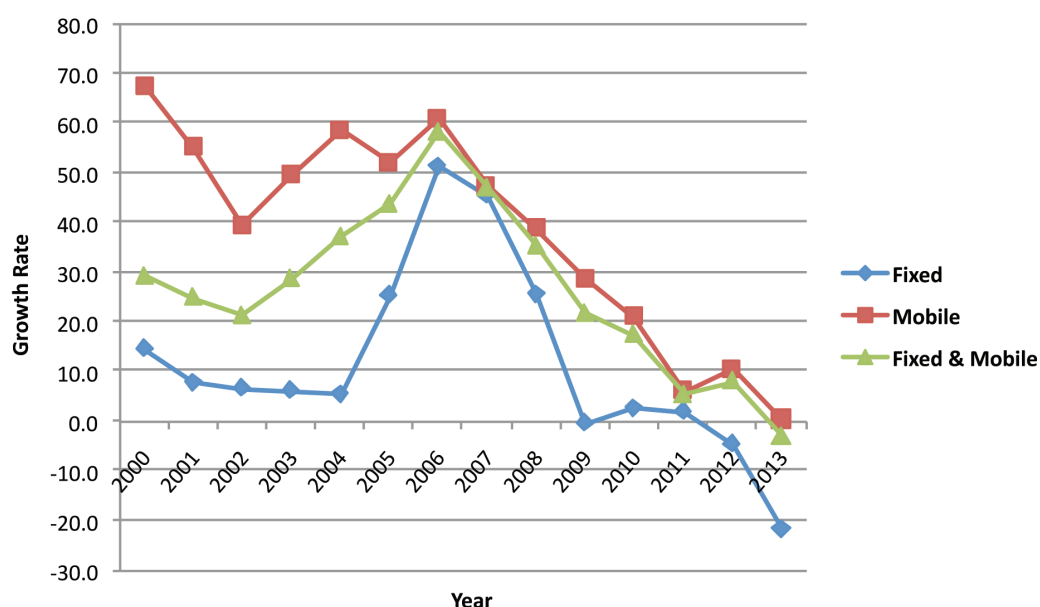
When the annual growth rate of the subscribers during the period 2000-2013 is concerned it can be seen that the growth rate of mobile telephony has always been higher than that of fixed telephony indicating the greater contribution of the former to the expansion of the telecommunication sector. However, the annual growth rates have shown a declining trend in the recent past. The trends in the average annual growth rates of the subscribers during the period 2000 to 2013 are graphically illustrated in chart 1.2. The declining trend of the subscriber growth rates may be an indication that the demand for basic voice services is nearing a saturation point as a consequence of the continued rapid growth in the past. This decline in demand is also an indication of the preference towards utilisation of other value added services ahead of voice services.

The change in penetration rates (number of telephones per 100 persons) is shown in chart 1.3. The mobile penetration rate has been continuously higher than that of fixed telephony except in year

2000. Although the impact of the base effect due to the revision in criteria caused the number of mobile telephone connections to decline during 2013, the mobile penetration stood at 99.2 per cent as at end 2013 indicating that on average, every Sri Lankan possesses a mobile connection. Commencing from 2010, the composite penetration rate (ie fixed and mobile combined together) has exceeded 100 % reflecting that on the average each individual in the country possessed either a fixed or a mobile telephone since 2010. In addition to fixed and mobile telephones several payphone booths had been installed throughout the country for the benefit of the general public and there were 6870 such booths as at end of 2013.

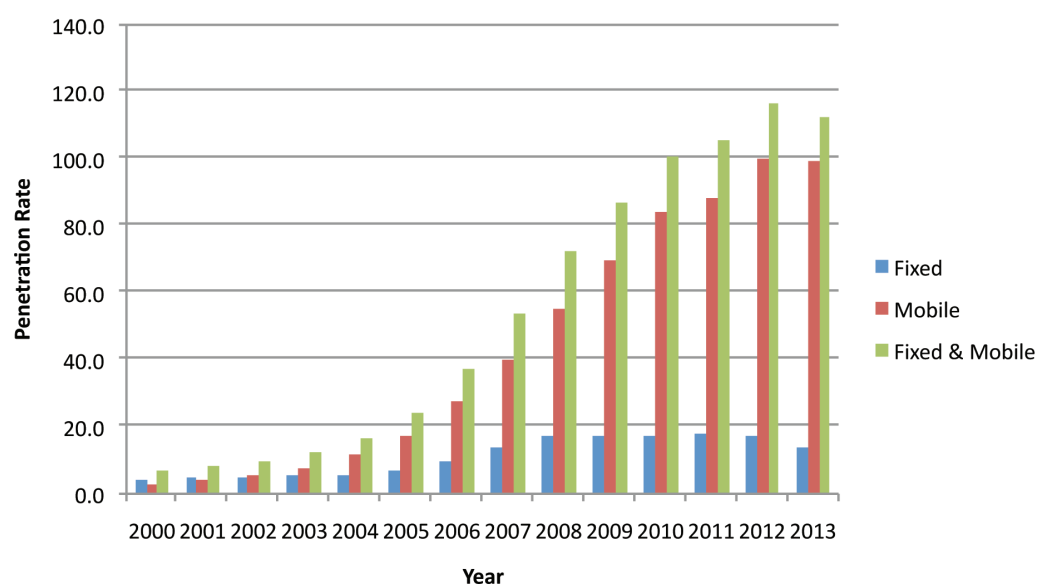
**Chart 1.2**

**Annual Growth Rates of Subscribers, 2000-2013**



**Chart 1.3**

**Penetration Rates, 2000-2013**



The call durations of the country can be considered as an indicator of the degree of telephone usage by the population for verbal communication. The call duration values (rounded to the nearest million) for incoming and outgoing calls during the period 2011 – 2013 are given in tables 1.3.

**Call Durations, 2011 -2013 (Million minutes)** *Table 1.3*

| Year | Incoming Calls |                |                        | Outgoing Calls |                |                        | Incoming & Outgoing Calls |
|------|----------------|----------------|------------------------|----------------|----------------|------------------------|---------------------------|
|      | Local          | Inter-national | Local & Inter-national | Local          | Inter-national | Local & Inter-national |                           |
| 2011 | 37,684         | 1,978          | 39,662                 | 37,249         | 694            | 37,943                 | 77605                     |
| 2012 | 41,579         | 2022           | 43,601                 | 41,425         | 710            | 42,135                 | 85736                     |
| 2013 | 41,635         | 1,937          | 43,572                 | 41,044         | 688            | 41,732                 | 85304                     |

From table 1.3 it is clear that the call duration of local calls has been very much greater than that of international calls. The total of annual incoming local and international call durations was approximately forty thousand million minutes in 2011 and forty four thousand million minutes in the years 2012 and 2013. In the case of outgoing calls, the respective figures were approximately thirty eight thousand million minutes in 2011 and forty two thousand in 2012 and 2013. The total of incoming and outgoing call durations in 2011, 2012 and 2013 were around seventy eight thousand, eighty six thousand and eighty five thousand million minutes respectively.

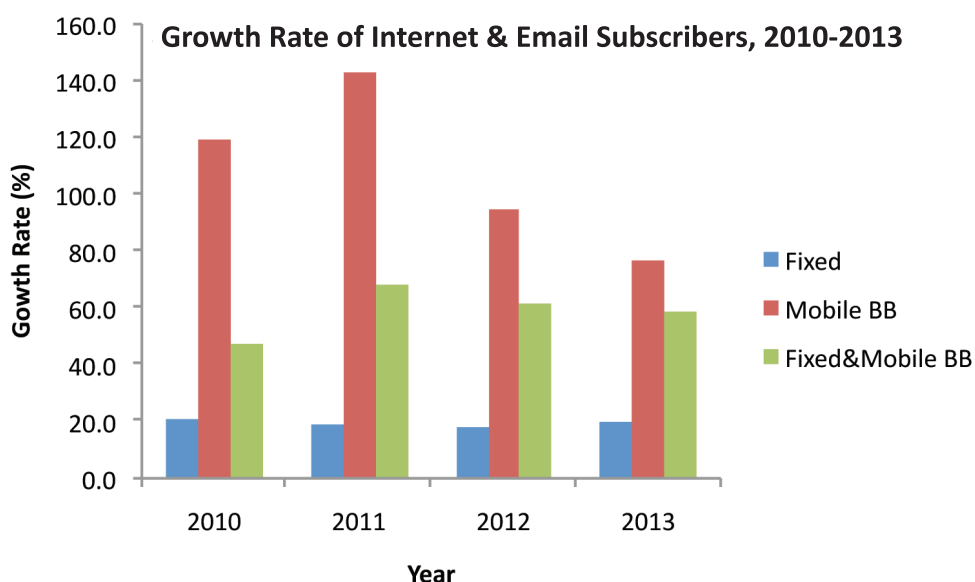
Along with the rapid growth in the telecommunication sector, there has been an increase in the internet and email subscribers. Total internet and email subscribers grew by 59 per cent during 2013 increasing internet penetration (connections per 100 persons) to 10.6 per cent. This was largely supported by the accelerated growth in mobile internet connections, followed by the fixed internet connections. Actual internet penetration and access to internet is much higher than the above estimates, as these do not include those who are connected to internet via mobile phones without having a proper data package. Further in the above estimates, common access points such as workplaces, Nenasala Centres, private internet cafes and household fixed line internet connections have been considered as single connections, despite having accessibility for multiple users. According to ITU statistics the internet penetration was 21.9 percent in 2013. The growth in internet penetration can be attributed to the emphasis placed by the government as well as the private sector to expand ICT facilities throughout the country. Furthermore, with a view to promoting the internet usage in the country, the Government reduced the levy on internet services from 20 percent to 10 percent with effect from January 2013. Data on internet and email subscribers are given in table 1.4. It can be seen from table 1.4 that the number of internet and email subscribers using mobile broadband surpassed the fixed subscribers since 2011. The growth rate of mobile broadband internet and email subscribers has been very much higher than

that of fixed internet and email subscribers. The growth rate of the internet and email subscribers during the period 20010 to 2013 is graphically presented in chat 1.4Considering the rapid expansion

**Growth of Internet and Email Subscribers, 2004-2013** *Chart 1.4*

| Year | Number of Subscribers |                  |                          | Growth Rates (%) |                  |                          |
|------|-----------------------|------------------|--------------------------|------------------|------------------|--------------------------|
|      | Fixed                 | Mobile Broadband | Fixed & Mobile Broadband | Fixed            | Mobile Broadband | Fixed & Mobile Broadband |
| 2004 | 93,444                | -                | 93,444                   | 9.3              | -                | 9.3                      |
| 2005 | 115,000               | -                | 115,000                  | 23.1             |                  | 23.1                     |
| 2006 | 130,000               | -                | 130,000                  | 13.0             |                  | 13.0                     |
| 2007 | 202,348               | -                | 202,348                  | 55.7             |                  | 55.7                     |
| 2008 | 234,000               | -                | 234,000                  | 15.6             |                  | 15.6                     |
| 2009 | 249,756               | 91,359           | 341,115                  | 6.7              |                  | 45.8                     |
| 2010 | 302,000               | 200,000          | 502,000                  | 20.9             | 118.9            | 47.2                     |
| 2011 | 359,000               | 485,000          | 844,000                  | 18.9             | 142.5            | 68.1                     |
| 2012 | 423,194               | 942,461          | 1,365,655                | 17.9             | 94.3             | 61.8                     |
| 2013 | 507,845               | 1,664,003        | 2,171,848                | 20.0             | 76.6             | 59.0                     |

**Chart 1.4**



in the coverage of Third Generation (3G), Fourth Generation (4G) and fixed line internet services by mobile and fixed line operators, it is expected that the growth momentum in internet penetration will continue in the coming years.

The progress of the telecom sector has been crucial for the information and communication

technology (ICT) sector to move forward and gain prominence. In the Network Readiness Index (NRI) compiled by the World Economic Forum (WEF), Sri Lanka has improved its ranking to 69 in 2013 from position 71 in 2012.

The continuing advances in the telecommunication sector and ICT can contribute much to the narrowing of the digital divide through raising knowledge levels of the citizens. In addition to the programmes of agencies like Information and Communication Technology Agency (ICTA) the initiatives of TRCSL in collaboration with the Ministry of Education such as “Connect a School, Connect a Community” Initiative and the National Broadband Initiative will make a substantial contribution towards this end.

Sri Lanka’s telecom industry has grown very rapidly in the recent past with restoration of peace after nearly three decades of armed conflict. The telecommunication companies have been deploying and improving their networks since the ethnic conflict ended in May 2009. There were altogether 6364 telecommunication towers spread throughout the country in 2013. The Telecommunication Regulatory Commission commenced construction of a multi functional telecommunication tower in the city of Colombo in 2013.

The telecom sector has continued to be a primary target for Foreign Direct Investment (FDI) into the country. It can be seen from table 1.5 that Foreign Direct Investment absorbed by the telecommunication sector out of the total FDI received was 18 percent and 26 percent in 2012 and 2013 respectively. The amount absorbed by this sector in relation to FDI received for infrastructure in 2012 was 41 percent and this increased to 46 percent in 2013. The total investment by telecom operators for the industry in 2013 amounted to Rs.59.2 billion. Despite some operators in the telecommunications industry

**Foreign Direct Investment Received for Telephone & Telecommunication Network (Provisional)** *Table 1.5*

| Item                                                                      | Year      |           |
|---------------------------------------------------------------------------|-----------|-----------|
|                                                                           | 2012      | 2013      |
| FDI for Telephone & Telecommunication Network                             | 242.080   | 359.765   |
| FDI for Infrastructure and other services                                 | 596.595   | 786.825   |
| FDI for Telecom sector as a percentage of FDI received for Infrastructure | 40.58     | 45.72     |
| Total annual FDI received                                                 | 1,338.155 | 1,391.405 |
| FDI for Telecom sector as a percentage of total FDI received              | 18.09     | 25.86     |

(US \$ Mn.)

experienced losses there has been an overall net profit of Rs. 2.8 billion in 2013.

The telecommunications sector has played a significant role in the economic and social development of Sri Lanka. A large portion of growth of the service industry in Sri Lanka in the recent past could be attributed to the development of telecommunications industry. According to Central Bank data, Post and Telecommunication sectors have grown substantially by 11.4 per cent in 2013 compared to the growth of 7.9 per cent in 2012. The contribution of these two sectors to the GDP (Gross National Product) in 2013 was 2.0%. The TRCSL has made substantial contributions to the Consolidated Fund of the General Treasury from the fees and levies collected from the telecom industry in the recent past. Remittances to the Consolidated Fund by TRCSL in the years 2012 and 2013 were Rs. 37.5 billion and Rs 35.1 billion respectively.

Sri Lanka can be proud of its sophisticated telecommunications industry and it is perhaps on par with some developed nations. The improvements in the telecommunication and related sectors would give a fillip to the economic growth of the country and improve livelihoods, lifestyles and the quality of life of nearly all segments of the population.

# TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA (TRCSL)

Origin, Vision, Mission, Objectives,  
Responsibilities and Functions

CHAPTER

2

## **2.1. Origin**

The Telecommunications Regulatory Commission of Sri Lanka (TRCSL) is a statutory body established under the Sri Lanka Telecommunications (Amendment) Act, No. 27 of 1996 which was enacted to amend the Principal Act namely, the Sri Lanka Telecommunications Act, No. 25 of 1991. In this Report the term “Act” denotes the Sri Lanka Telecommunications Act, No. 25 of 1991 as amended by the Sri Lanka Telecommunications (Amendment) Act, No. 27 of 1996 and the term Commission denotes the Telecommunications Regulatory Commission of Sri Lanka.

## **2.2. The Composition and Meetings of the Commission**

The Commission presently comprises of four Members. The Secretary to His Excellency the President is the ex-officio Chairman of TRCSL. The Director-General is the Chief Executive Officer and is also a Member of the Commission. The other two Members are non-Executive Members of the Commission who have distinguished themselves in the field of Law and Finance respectively.

The Commission met on several occasions during 2013 to address a wide range of matters including Regulatory Matters, Commission’s Annual Budget, Administrative Matters, hosting of International Regulatory Conferences in Sri Lanka by the TRCSL and took necessary decisions/ granted approval on the same.

### **2.3. VISION**

To be recognized as a world leader in an advancing communication industry through scientific and regulatory excellence.

### **2.4. MISSION**

Ensure timely delivery of the service nation-wide at an acceptable quality and affordable cost through promotion of fairness and justice in a competitive market through a skilled and ethical workforce.

#### **2.4.1. Interpretation of the Mission Statement**

To ensure availability of advanced and high quality communication technology services to all users at just, reasonable and affordable price by working with all stake-holders in an independent, open and transparent manner to create a regulatory environment that promotes fairness, competition and investments, thus assuring the fulfillment of Sri Lanka's long term communication needs.

### **2.5. Objectives:**

As per Telecommunications Act the general objectives to be achieved by the TRCSL are as follows:

**2.5.1.** To ensure the provision of a reliable and efficient national and international telecommunications service in Sri Lanka satisfying all reasonable demands for such service including emergency services, public call box services, directory information services, maritime services, and rural services as may be considered essential for the national wellbeing.

**2.5.2.** To secure that every operator shall have and employ the necessary technical, financial and managerial resources to ensure the provision of the services specified in the license.

**2.5.3.** To protect and promote the interests of consumers, purchasers and other users and the public interest with respect to the charges for and the quality and variety of telecommunication services provided and telecommunication apparatus supplied.

**2.5.4.** To maintain and promote effective competition between persons engaged in commercial activities connected with telecommunication and promote efficiency and economy on the part of such persons.

**2.5.5.** To promote the repaid and sustained development of telecommunication facilities both domestic and international.

**2.5.6.** To ensure that the operators are able to carry out their obligations for providing a reliable and efficient service free of undue delay, hindrance or impediment.



**2.5.7.** To promote research in to the development and use of new techniques in telecommunications and related fields.

**2.5.8.** To encourage the major users of telecommunication services whose places of business are outside Sri Lanka to establish places of business within Sri Lanka.

**2.5.9.** To promote the use of Sri Lanka's international transit services.

## **2.6. Responsibilities of TRCSL**

As a leading Government Institution TRCSL is the national regulatory agency for telecommunications in Sri Lanka and its main responsibility is to promote sustained development of the industry by shaping the regulatory process, protect public interest and be responsive to challenges in an increasingly competitive market. TRCSL does not provide telecommunications services as such but encourages the efficient and orderly provision of these services by the operators and it is committed to assist all the telecommunication operators in Sri Lanka to develop world class telecommunication network facilities in the country. Its major responsibilities are as follows:

**2.6.1.** Enforcement of the provisions in the Act and conditions in the licenses issued to the Operators.

**2.6.2.** Foster fair and sustainable competition among the licensed operators.

- Monitoring competition to ascertain whether operators are meeting public interests and Objectives.
- To ensure seamless interconnection between networks and services.
- Establishing a general framework of open entry, non-burdensome and transparent licensing.

**2.6.3.** Pricing

Ensure that telecommunication services are reasonably priced, taking into consideration affordability etc.

**2.6.4.** Consumer Protection

To have consumer safeguards in place, and to encourage citizen participation and open dialogue by conducting inquiries into complaints made by consumers and members of the public.

**2.6.5.** Social Regulation

- i. Universal Access/ Services
- ii. Ensure provision of universal access/ services to the rural communities, elderly and people who are differently abled.
- iii. Emergency preparedness
- iv. To make telecommunication services available for people with disability.

#### **2.6.6. Regulation of bottleneck facilities and scarce resources**

- i. Spectrum Management
- ii. Numbering
- iii. Rights of Way
- iv. Space segment
- v. Interconnection
- vi. Access to international landing stations
- vii. Access to backbone

#### **2.6.7. High quality telecommunication services**

To ensure that telecommunication services are of a high quality which are just, reasonable and affordable and which will satisfy the needs of the consumers.

#### **2.6.8. Promote Good Governance.**

Ensure a transparent decision making process, encouraging public participation and giving timely decisions by following principles of natural justice.

#### **2.6.9. Ensure that the decisions are fair and impartial.**

#### **2.6.10. Help to build civil society by making it an “informed” society in this modern Information and Communication age.**

#### **2.6.11. Endure any operator to comply with requirements laid down by the International Telecommunication Union (ITU) and relevant International Organizations in respect of both equipment and technical standards.**

### **2.7. Functions of TRCSL**

In order to achieve the above objectives TRCSL performs the following regulatory functions:

#### **2.7.1. Processing applications and issuance of licenses.**

##### **2.7.1.1. Licenses to operate telecommunications systems in Sri Lanka under Section 17 of the Act.**

According to Section 17 of the Act, no person shall operate a telecommunication system in Sri Lanka except under the authority of a license granted by the Minister on the recommendation of the Commission. However there are some exemptions from licensing and these exemptions are given in Section 20 of the Act.

##### **2.7.1.2. Licenses for use of radio frequency and radio frequency emitting apparatus under Section 22 of the Act.**

As per Section 22 (1) of the Telecommunications Act, no person shall use any radio frequency or any radio frequency emitting apparatus in Sri Lanka or any part of the

territorial waters of Sri Lanka or any ship or aircraft registered in Sri Lanka, except under the authority of a license issued by the Commission for that purpose.

**2.7.1.3. Vendor licenses under Section 21 of the Act.**

According to Section 21 (1) of the Act no person shall by way of trade, manufacture, import, sell, offer for sale, deal in, transfer, hire, lease, demonstrate, maintain and repair any telecommunication apparatus, except under the authority of a license issued by TRCSL.

**2.7.2. Tariff Regulation.**

**2.7.2.1. Determine tariffs in Consultation with the Minister as specified under Section 5(k) of the Act, according to which the Commission has power to determine in consultation with the Minister, the tariff or methods for determining such tariff, taking into account government policy and the requirements of the operators in respect of the telecommunication services provided by the operators.**

**2.7.2.2. Approval/ Determination of interconnection charges in terms of 5(l) of the Act.**

**2.7.3. Monitoring and ensuring compliance with the Act, (including rules and regulations made there-under) and licenses by the licensed operators.**

**2.7.4. Monitoring and ensuring proper utilization of the radio frequency spectrum and management of radio frequency spectrum in Sri Lanka.**

**2.7.5. Responding to consumer complaints and holding inquiries/ investigations.**

According to Section 9 (1) of the Act, when a subscriber or a member of the public makes a complaint to the Commission in relation to the telecommunication service provided by an operator, the Commission may make such investigations as it may deem necessary and shall cause such remedial measure to be taken as the circumstances of the case may require.

Section 9 (2) of the Act states that in the course of any investigation under section 9(1) the Commission may direct such operator to take such steps as appears to it to be necessary for the rectification of any cause or matter which gave rise to the complaint, and direct that financial redress to be provided where appropriate.

**2.7.6. Setting up quality of service standards to ensure quality and variety of telecommunication services.**

**2.7.7. Represent the Government in International Conferences/ International and Foreign bodies concerned with telecommunications.**

**2.7.8. Issuance of Orders, Directions and Decisions by the Commission.**

TRCSL has followed a transparent procedure in issuing orders, directions or decisions. Greater opportunity was offered to the industry participants, consumers and other interested parties to participate at public hearings and other forums.

**2.7.9. Specifying technical standards for telecommunication apparatus and type approval.**

There were several Divisions to carry out the functions of TRCSL. The main functions and the performance of the respective Divisions in the year 2013 are described in the following sections. It should be especially noted that although certain activities have been specifically listed under a particular Division, such activities have been carried out by that particular Division in conjunction with the support of other Divisions.

## Over view

Radio frequency spectrum is one of country's key natural resources of great economic value as a result of its direct application in telecommunications, broadcasting, military, and scientific research in addition to a range of other socioeconomic activities such as social services, law enforcement, education, healthcare, transportation, etc. As a result, many industries depend heavily on the efficient utilization of radio frequency spectrum.

Spectrum Management is the combination of administrative and technical procedures necessary to ensure the efficient operation of radio communication equipment and services without causing interference to other radio systems. The goal of spectrum management is to maximize spectrum efficiency and minimize interference.

Spectrum Management Division is responsible for the efficient administration of the radio spectrum. The Spectrum Management Division, carried out the following functions in 2013 in fulfilling the obligations of the Commission as per the Telecommunications Act.

### 3.1. Functions

- Allocating frequency bands in accordance with international Radio Regulations and the national priorities ;
- Assigning frequencies through fair, equitable and transparent procedures;
- Planning, coordinating, regulating and administering the use of the frequencies;
- Establishing regulations, technical parameters and standards governing the use of radio spectrum and use of satellite orbit belonging to the country;
- Defining technical standards for radio communication equipment
- Managing the spectrum in order to make adequate provision for various services based on their relative importance to country's socio economic goals;
- Licensing of users for the purpose of regulating the use of spectrum in order to ensure minimum interference with other users;
- Monitoring of radio spectrum;
- Granting Type Approval for Radio and Telecommunications Terminal Equipment (RTTE)

- Conducting licence conformity inspections of radio communication stations to ensure that their operation is in accordance with the technical standards and parameters stipulated in the license;
- Maintaining regional and international co-ordination and co-operation for the use of radio frequencies;
- Spectrum re-farming that systematically phase out ageing radio communication services in order to free up new spectrum space to accommodate emerging technologies and new services;
- Verifying the compatibility and the interference-free use of authorized emissions, detecting and identifying the origin of the interferences and to resolve them;
- Collecting licence fees payable for use of spectrum.
- Conducting Armature Radio and Global Maritime Distress Safety System (GMDSS) examinations.

As per Section 22 of Telecommunications Act (see 2.7.1.2) any person who uses a radio frequency emitting apparatus should have a valid license issued by the Commission. The license is issued on the payment of fee as specified by rules made in that behalf unless specified otherwise. The conditions of the license are specified and issued together with the license. Conditions may differ from service to service. In the event of the breach of any such condition, TRCSL has the power to seal the equipment and to revoke the license.

Radio frequency spectrum is allocated to various bands according to the type of service. The nature of service differs from one to another depending on the characteristics of radio waves, technical parameters of equipment and applications. Hence the work of the Division is divided into several service categories.

It is required to have a clearance from TRCSL for importing any radio frequency apparatus. Spectrum Management Division makes sure that equipment complies with necessary standards and has a frequency approved by TRCSL for operating the equipment, prior to issue of such a clearance letter. This action minimizes the illegal use of frequencies and radio interferences occurring to licensed spectrum users.

However, Spectrum Management Division receives complaints from users whenever they experience interference to their transmissions. The arrangements are made to identify the source of interference and take relevant mitigating actions.

### **3.2 Performance**

The statistics on the number of frequencies and licenses issued during the year 2013, as well as interference complaints and unauthorized users identified by Spectrum Management Division are shown below. To facilitate comparison data for year 2012 are also included in the relevant tables.

### 3.2.1. Assignment of frequencies

**Number of Frequencies Assigned, 2012-2013** Table 3.1

| Category of Service                         | No. of Frequencies |               |
|---------------------------------------------|--------------------|---------------|
|                                             | 2012               | 2013          |
| Fixed service                               | 4810               | 4342          |
| Broadcasting service (Television and Radio) | 103                | 02            |
| Cellular Mobile Service                     | 0                  | 01 slot (LTE) |
| Data / Radio Telemetry                      | 33                 | 04 / 03       |
| Aeronautical & Maritime Service             |                    |               |
| <i>i. Maritime Mobile Service</i>           | 16                 | 03            |
| <i>ii. Aeronautical Mobile Service</i>      | 02                 | 02            |
| Private Mobile Radio Service                | 17                 | 24            |

### 3.2.2. Issuance of frequency licenses

**Number of Licenses Issued for Spectrum Users, 2012-2013** Table 3.2

| Category of Service                          | No. of Licenses |         |
|----------------------------------------------|-----------------|---------|
|                                              | 2012            | 2013    |
| Fixed service                                | 59              | 36      |
| Broadcasting service ( Television and Radio) | 43              | 25      |
| Cellular mobile service                      | 5               | 5       |
| Trunking / Paging/ Citizen Band              | 9               | 10      |
| Data / Radio Telemetry Service               | 38              | 10 / 11 |
| Aeronautical and Maritime Services           |                 |         |
| <i>i. Aircraft stations</i>                  | 75              | 80      |
| <i>ii. Ship stations</i>                     | 73              | 79      |
| <i>iii. Maritime mobile</i>                  | 45              | 101     |
| <i>iv. Aeronautical mobile</i>               | 03              | 02      |
| Private mobile radio service                 | 208             | 189     |
| Satellite License (new + renewal)            | 21              | 18      |
| Amateur Radio                                |                 | 11      |

### 3.2.3. Complaints Received and Investigations Undertaken

**Complaints Received and Investigations Undertaken, 2012- 2013** Table 3.3

| Service             | No. of complaints received |      | No. of investigations undertaken |      |
|---------------------|----------------------------|------|----------------------------------|------|
|                     | 2012                       | 2013 | 2012                             | 2013 |
| TV and Broadcasting | 12                         | 05   | 12                               | 05   |
| Other Services      | 68                         | 34   | 68                               | 34   |

### 3.2. 4. Identification of illegal users of frequency spectrum

Special frequency monitoring equipment was used for detecting illegal users of radio spectrum. These equipment were installed in special vehicles designed for the purpose. Table 3.4 shows that the number of identified illegal users of frequency spectrum has decreased in 2013.

**Number of Illegal Users Identified and Preventive Action Taken, 2012-2013** Table 3. 4

| Category                             | No. of illegal users identified |      | Action Taken                       |
|--------------------------------------|---------------------------------|------|------------------------------------|
|                                      | 2012                            | 2013 |                                    |
| Broadcasting service ( TV and radio) | 03                              | 01   | Pursued to prevent the illegal use |
| Other services                       | 02                              | 0    |                                    |

### 3.2. 5. Number of clearance reports issued for the importation of wireless telecommunication equipment

**Number of Clearance Reports Issued ,2012- 2013** Table 3.5

| Category of Service                          | No. of clearance reports |          |
|----------------------------------------------|--------------------------|----------|
|                                              | 2012                     | 2013     |
| Fixed service including CDMA                 | 1075                     | 985      |
| Broadcasting service (TV and Radio)          | 179                      | 441      |
| Cellular Mobile Service                      |                          |          |
| <i>i. Dealer License</i>                     | 5381                     | 4039     |
| <i>ii. Mobile operators</i>                  | 1321                     | 1090     |
| <i>iii. Trunking / Paging / Citizen Band</i> | 27                       | 24       |
| <i>iv. Private Mobile Radio</i>              | 663                      | 564      |
| Aeronautical & Maritime Service              |                          |          |
| <i>i. Aircraft Station</i>                   | 23                       | 28       |
| <i>ii. Ship Station</i>                      | 31                       | 10       |
| <i>iii. Maritime Mobile</i>                  | 147                      | 105      |
| <i>iv. Aeronautical Mobile</i>               | 27                       | 12       |
| <i>v. Aeronautical Navigation</i>            | 02                       | 03       |
| <i>vi. Miscellaneous (GPS, Tracking)</i>     | 95                       | 250      |
| Data service / Radio Telemetry               | 368                      | 108 / 07 |
| Satellite service                            | 893                      | 1100     |
| Amateur Radio                                | 28                       | 15       |
| Low Power Devices                            | 661                      | 800      |

### 3.2.6. Frequency Monitoring and Investigation

■ The Spectrum Management Division carried out investigations to eliminate interferences caused due to misuse or improper use of equipment. These investigations were carried out using mobile surveillance vehicles and monitoring stations. Monitoring stations are in operation at Colombo, Kadirana, Kandy, Yakkala, Katubedda and Bandaragama. The Division received forty (40) complaints on interferences and solutions were provided to thirty seven (37) of them in the year 2013.





*Accessories for Monitoring Stacked inside the Vehicle and Setting up equipment at Site*

#### ■ Educational Programmes on Monitoring Techniques

Monitoring surveillance vehicles and in-house monitoring facilities were exhibited and demonstrated at the exhibitions held at the following venues in 2013.

- Damsi - Naththandiya
- Deyata Kirula – Ampara
- International School – Colombo 05
- Infotec 2013 – Colombo 01
- Defence School – Colombo 04
- Naval & Maritime Academy – Trincomalee

These programmes were immensely helpful to the general public especially for students to understand basic concepts of radio communication and monitoring techniques.



*Mobile vehicle for monitoring and Setting up of equipment (antenna) at exhibition site*

### **3.3. Technological Advancements**

With the technology advancement and continued growth of demand for high speed data access, outdoor LTE (Long Term Evolution) was identified as one of the powerful technologies to fulfill the gap.

TRCSL made arrangements to issue new frequency licenses for fixed line and cellular telecommunication operators to use 1.8 GHz, 2.3 GHz and 2.6 GHz bands for LTE applications.

### **3.4. Transition from Analogue to Digital television in Sri Lanka**

The roadmap for transition from analogue to digital terrestrial television in Sri Lanka has been prepared with the initiative taken by the Spectrum Management Division.

With JICA (Japanese International Cooperation Agency) assistance, test transmissions are going-on for implementation of ISDP-T (Integrated Services Digital Broadcast – Terrestrial) standard hitherto adopted by many countries all over the world especially in our region. The Cabinet is expected to give clearance in the beginning of 2014, for adopting ISDB-T standard in Sri Lanka for digital television broadcasting.

# POLICY, INTERNATIONAL RELATIONS & LICENSE ADMINISTRATION DIVISION

CHAPTER

## 4

### Overview

The Policy and International Relations Division and the License Administration Division functioned as two separate Divisions previously. These two Divisions were amalgamated subsequently and became two sections of the newly created Policy, International Relations and License Administration Division (PIR&LAD). However, the functions of the two Divisions have remained more or less the same even after the amalgamation.

As the national regulatory agency, TRCSL has to formulate policies with regard to the telecommunication sector and the PIR&LAD assists the Commission in this exercise in a variety of local and international telecommunication regulatory activities according to the TRCSL Act. One of the objectives of the TRCSL is to promote research into the development and use of new techniques in telecommunications and related fields and the PIR&LAD is involved in planning and organizing relevant research studies involving Universities with a view to achieving this objective. This Division also undertakes a wide range of telecommunication sector development projects with collaborating members of the International Telecommunications Organizations and stake holders. It also provides assistance to implement international best practices through project initiatives. Issuance, renewal and modification of licences also comes under the newly established Policy, International Relations and License Administration Division.

The functions and the performance of the Division are enumerated below.

### 4.1 Functions

- Policy advice on matters relating to the telecommunication sector.
- Research studies with the assistance of Universities and research institutions.
- Projects.
- Co-ordinating the Commission's participation in various international organizations [eg. International Telecommunications Union (ITU), Asia Pacific Telecommunity (APT), South Asian Association for Regional Co-operation (SAARC)].

- Circulating information received from international organizations within the Commission.
- Co-ordination of information gathering within the Commission and in the country as required by international organizations of which Sri Lanka is a member.
- Provide required information to international organizations.
- Management of activities related to new, renewal and modification of system licences under Section 17 of the Sri Lanka Telecommunications Act, No.25 of 1991 as amended.
- Assessment of licence applications including investor's business plans from the point of view of technical, economic, legal and consumer aspects.

## 4.2 Performance

### 4.2.1 Conducting Research and Development in the Field of Telecommunications Sector

Among the duties of the Telecommunications Regulatory Commission of Sri Lanka (TRCSL) as set out in section 5 (s) of Act is the duty “to promote, in Co- operation with operators or otherwise, research and development in telecommunication at universities and research institutes in Sri Lanka”. Following two research areas were completed and the final research presentations were made at the TRCSL.

1. Sign Language interpreter (SLI)-Faculty of Engineering, University of Ruhuna.



2. Design of a Micro Scale Radio Frequency (RF) Harvesting Unit- Faculty of Engineering, University of Ruhuna.



The following research activity is being continued and the final report is expected in 2014.

Development of a low-cost measurement setup for microwave measurements up to 8GHZ- University of Peradeniya.

#### **4.2.2 Information and Communication Technology (ICT) for the Disempowered / Marginalized Communities e- NABLE Assistance Programme**

The Telecommunications Regulatory Commission (TRC) conducted an ICT skills development programme designed for persons with special needs under the project for year 2013.

A total of sixty (60) Special Schools, Special Education Units of the schools and Vocational Training Centers of the Trincomalee, Batticaloa, Anuradapura, Pollonnaruwa, Ampara, Kalmunei, Colombo, Kegalle Districts were selected to provide ICT facilities under this year's programme. This programme was conducted parallel to the Government's special initiatives of the Deyata Kirula Programme. ICT training programme is being arranged through the Ministry of Education for these centers.

A concessionary internet tariff package is also being introduced with the assistance of the licensed operators.

As a special request of TRCSL the International Telecommunications Union (ITU) provided the following assistance for persons with special needs.

- "Sinhala Bashakaya Software" was developed for the Blind with the assistance of Daisy Lanka Foundation and distributed to blind schools and centers in Sri Lanka.
- Duxbury Braille Translation Software version 11.1SR4 - licensed copy was given to eight schools and two Universities with blind students.
- FM hearing system was given for the Special Education Unit at the Puttalam / Zahira Primary School.
- Electronic Braille Writer (Mountbatten MB Plus Electronic Braille System) was given to the Special Need Resource Centre - University of Sri Jayawardenapura.

With the assistance of Jinasena Training and Rehabilitation Trust the following free software were provided for persons with special needs, schools, centers and institutions under the e-NABLE programme.

- i. Braille English to Sinhala Dictionary (A dictionary that provides assistance to search entries in Braille)
- ii. Translation Software for Sinhala / Tamil and English language ( Braille to text for Visually Impaired)
- iii. Braille English to Sinhala Language and mathematics software for orally impaired students.





*Handing over of ICT Facilities for  
Special Education Units*



*FM Hearing System for Deaf Student Education*



*Electronic Braille Writer for Special Need Resource  
Centre University of Sri Jayawardenepura*

#### **4.2.3. ITU-TRC Assistance “Connect a School ; Connect a Community” Project Programme in Sri Lanka (Implementing ITU International Best Practices in the member Country)**

The project with the Telecommunication Development Bureau (TDB) of the International Telecommunication Union (ITU) “Connect a School; Connect a Community” initiative is a pioneering programme designed to promote broadband Internet connectivity for schools around the world. Its purpose is to ensure that schools can serve as community ICT centers for rural, marginalized urban and isolated areas.

The ITU selected Sri Lanka as one of the five beneficiary countries for the extended school connectivity project and the Telecommunication Regulatory Commission of Sri Lanka (TRCSL) was tasked with implementing this ITU project. Ministry of Education (MOE) supported the implementation of project initiatives.

The project is a Public – Private – Peoples’ Partnership (4P) involving ITU, TRCSL, MOE, Information and Communication Technology Agency of Sri Lanka (ICTA), United Nations High Commissioner for Refugees (UNHCR) Colombo Office, Sri Lanka Telecom (SLT) PLC, Mobitel Pvt. Ltd, Dialog Axiata PLC, Lanka Bell Pvt. Ltd, Metropolitan Computers, Daisy Lanka Foundation and Jinasena Training and Rehabilitation Trust. Parents, teachers and the surrounding community will benefit from the project. In addition, marginalized and vulnerable groups such as women, indigenous people,

persons with disabilities and those living in rural, remote and under – served areas can be empowered thus further contributing to socio- economic development.

All the districts were selected for the purpose of setting up a computer laboratory at a remote primary or secondary school situated in each district. Thirty three (33) schools received assistance under this project which included equipment, teacher training on hardware and software as well as internet connectivity and electrical wiring, facilities for equipment maintenance, consumable items etc.

The project will benefit 8560 students in 33 schools located in areas of low ICT development, while also educating children with special needs in eight of these schools. Teachers have been trained to use ICTs, particularly on Linux. Internet facility was provided to all these schools.

ITU and TRCSL have provided funds for the hardware and software required to equip the computer laboratories in schools. The schools will be responsible for the maintenance and operation of the facilities, while telecommunication operators will provide broadband internet connectivity at concessionary rates.

On 5th December 2013, the project was inaugurated by the Minister of Education. At the opening of the Computer Laboratory of the Watareka Kanista Vidyalaya at Homagama in the Colombo district, “Mr. Lalith Weeratunga, Secretary to H.E the President of Sri Lanka and Chairman of the TRCSL said “This school and rural community oriented ICT project will be beneficial to the rural sector, and in the future, these schools will play a key role in the penetration of ICT knowledge into the rural and remote areas of the country.”

Dr. Eun- Ju Kim , Director of ITU’s Regional office for Asia and the Pacific said “This is a smart initiative which sets a milestone in driving ICT access to rural and remote areas and benefits not only teachers and students but also the communities where they live. Such an innovative public-private – peoples’ partnership, which promotes school- based community ICT centers, represents an attractive, affordable, inclusive, scalable and sustainable step forward in providing digital opportunities for the people of Sri Lanka” she also thanked all parties who contributed to the success of this initiatives”.



*Opening of the Computer Laboratory of the Watareka Kanista Vidyalaya at Homagama*

#### **4.2.4. ITU-TRCSL Workshop on “Greening the Future: Bridging the Standardization Gap on Environmental Sustainability”**

The Telecommunications Regulatory Commission of Sri Lanka (TRCSL) hosted the ITU-TRCSL Workshop on “Greening the Future: Bridging the Standardization Gap on Environmental Sustainability” held from 3-4 October 2013 in Cinnamon Lakeside Hotel, Colombo, Sri Lanka.

The sessions of the first day covered major contributions made by the ICT sector to the creation of a sustainable low carbon economy, environmental sustainability and the development of smart sustainable cities. It also explored the socio, economic and environmental opportunities to promote the use of ICTs. Those sessions also presented ITU-T methodologies for assessing the environmental impact of ICTs in cities.

During the technical sessions of the second day, the workshop deliberated to give an overview on how green ICT standards could be implemented at the national level and the consequent benefits for countries. The main green ICT standards (ITU –T Recommendations) that had been developed by the ITU – T Study Group 5 “Environment and Climate” were presented.

As the outcome of the workshop there were two proposals put forward for concrete action ensuring Green ICT growth using ITU- T Standards:

- i. Development of e-waste policy in Sri Lanka
- ii. Development of a Standardized Green Data Centre Code of Conduct for Sri Lanka.

The workshop also provided a valuable opportunity for the local telecom operators to share their experience with others.



*Chairman TRCSL addressing the gathering*



*Participants of the Workshop*

#### **4.2.5 The Korean IT Volunteers Programme**

The Korean IT Volunteers (KIV) altogether comprising two teams arrived in Sri Lanka on 1st July 2013 under a NIA( National Information Society Agency) – TRCSL Program to provide ICT training under the TRCSL e- NABLE project programme at two Vocational Training Centers run by the Department of Social Services during the month of July 2013. TRCSL co-ordinated the programme in collaboration with the Korea IT Volunteers supported by the World Friends, the Ministry of Science,



ICT & Future Planning and the National Information Society Agency (NIA) of Korea for the purpose of enhancement of ICT knowledge and skills of persons with special needs in Sri Lanka.



*Welcoming of Korean Volunteer Team*



*Vocational Training Centre – Wattegama*



*Vocational Training Centre – Agunakolapelessa*

#### **4.2.6 The World Telecommunication and Information Society Day (WTISD)**

In 2013, the theme for the telecommunication and information society day was “ICTs and improving Road Safety”

The Telecommunications Regulatory Commission of Sri Lanka organized a seminar on “ ICTs and improving Road Safety” to mark the World Telecommunication & Information Society Day on 17th May 2013 from 8.30 a.m. - 12.30 p.m. at the Ground Floor Conference room of the TRCSL. The following theme related subjects were discussed by the invited speakers of the relevant institutions.

- ICT and Improving Road Safety: Prof. Saman Bandara, University of Moratuwa.
- Taking Road Safety Online: General Manager, Enterprise Sales Division, Sri Lanka Telecom PLC.
- ICT and Road Safety: Chief Technology Officer, AirTel Sri Lanka.
- ICTs and Improving Road Safety, Manager , Product Development, Mobitel (Pvt.) Ltd

His Excellency the President issued a WTISD message. In his message he stated that “ road traffic safety is a major concern in the world today for the importance it plays in the prevention of accidents causing death and injury, as well as the many improvements it can bring to traffic management contributing to good social development”.



*Events of the World Telecommunication and Information Society Day*

#### 4.2.7 Subscriptions

TRCSL represented the Government of Sri Lanka in a number of International Organizations such as International Telecommunications Union (ITU), Asia Pacific Telecommunity (APT), and Commonwealth Telecommunication Organization (CTO) etc. Subscriptions are paid on annual basis to secure the membership. During the year under review, approximately Rs. 28 Mn. was paid as subscriptions to the institutions indicated in table 4.1 and TRCSL as a member of the respective institutions effectively participated in the relevant activities.

**Payment of Subscriptions, 2 013** *Table 4.1*

| Institution                                             | Subscription in SLRS |
|---------------------------------------------------------|----------------------|
| International Telecommunication Union (ITU)             | 21,578,591.10        |
| Asia Pacific Telecommunity (APT)                        | 1,751,459.00         |
| Commonwealth Telecommunications Organization (CTO)      | 4,029,980.68         |
| South Asian Forum for Infrastructure Regulation (SAFIR) | 400,743.00           |
| <b>Total</b>                                            | <b>27,760,773.78</b> |

#### 4.2.8 Co-ordination of Visits of Foreign Delegates

The Policy, International Relations and Licence Administration Division along with the support of other Divisions of TRCSL coordinated the visits of foreign delegates who arrived in Sri Lanka for telecommunication related activities, study visits, project programmes, training programmes, workshops etc.

#### 4.2.9 Issuance, Renewal and Modification of Licences

When the Commission receives requests from operators for new licences and, modification or renewal of their licences, such requests are processed by the Division and make suitable recommendations to the Commission. Action is taken to make the public aware of the Commission's recommendations

with regard to such requests through newspaper notices and obtain representations/objections from the public. After considering the representations/objections the Commission submits its recommendations to His Excellency the President for approval.

#### **4.2.9.1 Issuance of New Licences**

New licenses were issued to the following operators during the year 2013.

- i. Ask Cable Vision (PVT) Ltd.
- ii. Supreme SAT (Pvt.) Ltd.
- iii. Dish TV Lanka (Pvt.) Ltd.

#### **4.2.9.2 Renewal of Licences**

The following Mobile licences were renewed during the year 2013.

- i. Mobitel (Pvt.) Ltd.
- ii. Dialog Axiata PLC
- iii. Hutchison Telecommunications Lanka Pvt. Ltd

#### **4.2.9.3 Modifications**

Several modifications were done to Fixed, Mobile, Data Communications, ISPs, Cable TV, and Satellite TV Service licences.

#### **4.2.9.4 Cancellation**

The following license was returned for cancellation.  
Satnet (Pvt.) Ltd

### Overview

The Networks Division is responsible for managing the Telecommunications Numbering Plan, which sets out the framework for the numbering of telecommunication services in Sri Lanka and the use of numbers in connection with such services. It is also responsible for managing the existing numbering resource and planning for new numbering developments in Sri Lanka.

Requests for telecommunication infrastructure facilities such as copper or optical fibre networks, undersea cable landing stations, telecommunication antenna towers are processed by the Networks Division. As the National Regulatory Authority for telecommunications, the TRCSL is responsible for coordinating with various Government Organizations for processing of requests made by Telecom Operators for such deployments and the Networks Division has to play a key role in this activity. This task is handled paying due consideration to the public interest in the areas of environmental impacts, health, safety and security, while maintaining sustainable development of the telecommunication industry.

The Networks Division carried out the following functions in 2013 in fulfilling the obligations of the Commission as per the Telecommunications Act.

#### 5.1. Functions

- Management of the National Numbering Plan and the Short Codes.
- Planning and administering Signaling Point Codes for Telecom Operators.
- Promoting introduction of new telecommunication services.
- Facilitating Licence Operators in implementing their infrastructure deployment projects.
- Coordinating with various Government organizations on matters related to the deployment of telecommunication infrastructure.
- Ensuring compliance of technical standards in the telecommunications sector in Sri Lanka in accordance with the recommendations and guidelines of the ITU.
- Conducting public awareness programs on telecommunication infrastructure deployment.
- Study project proposals submitted by individuals/ organizations with regard to telecommunication infrastructure deployments and make recommendations and submit reports on the same.
- Performing type approval of telecommunication terminal and network equipment and making recommendations for customs clearance purposes.



- Participating in Technical Evaluation Committees (TECs) of Government Institutions and Public Corporations and provide technical inputs related to telecommunications.
- Processing applications for issuance of Vendor Licences and management of Vendor Licence regime.
- Assisting Police/Criminal Investigation Department (CID) investigations related to public security law and order in the field of telecommunication.

## 5.2. Performance

During the year 2013, the Networks Division continued the regulatory functions entrusted to the Division which included processing of requests made for the deployment of telecommunication infrastructure facilities, issuance of Vendor Licences, issuance of clearance letters for importation of network related equipment, conducting investigations on complaints, development of policies and guidelines relevant to the telecommunications infrastructure deployment and conducting public awareness programs etc.

Statistics pertaining to activities undertaken by the Networks Division are given in Table 5.1.

**Statistics Related to the Network Division, 2012-2013** (Table 5.1)

| Description                                        | 2012 | 2013 |
|----------------------------------------------------|------|------|
| Total No. of Vendor licences issued                | 810  | 763  |
| Cumulative No. of Towers constructed               | 5897 | 6364 |
| Total No. of Tower complaints received             | 178  | 181  |
| Total No. of investigations handled(Tower related) | 65   | 32   |
| Total No. of court cases related to towers         | -    | 03   |
| Total No. of public awareness programs held        | 16   | 16   |
| Total No. of New Type Approvals given              | 72   | 43   |
| Total No. of issuance of Import clearance          | 3526 | 3640 |
| Total No. of Individual Clearance                  | 177  | 45   |
| Cumulative No. of New Short codes issued           | 32   | 40   |

### 5.2.1. Issuance of Vendor Licences

Vendor licenses for importation, selling and repairing of telecommunication apparatus are issued under Section 21 (1) of the Telecommunication Act and in year 2013, 763 vendor licences were issued.

### 5.2.2. Construction of Telecommunication Towers

The number of telecommunication towers constructed increased up to 6364 which includes 467 new towers constructed in year 2013. When compared with the previous years' statistics (2012) there is a 50% decrease in number of new towers constructed. This is mainly due to the fact that TRCSL has encouraged all the Operators to optimally utilize the tower infrastructure by sharing such facilities.

In the telecom tower approval process the operators have to obtain Local Authority construction permits for which different local authorities charge different rates in an ad hoc manner and they are very high in value. It causes problems to telecommunication development. Inordinate delays in obtaining local authority approval result in delaying project implementation.

#### **5.2.3. Kokavil Multifunctional Tower and Transmission Station**

During the year 2013, four additional PSTN ( Public Switching Telephone Network ) operators have utilized the facilities at the Kokavil Station and as a result they were able to extend their coverage to Northern region significantly.

#### **5.2.4. Handling of Infrastructure Development Complaints**

Along with the increase in telecommunication tower construction there has been an increase in the number of complaints against tower construction as well. The general public makes complaints against tower construction due to several reasons and the Networks Division carried out 32 investigations on these matters in 2013. There were three (03), telecommunication towers related court cases in 2013. Nine (09) towers related public complaints were settled in the year 2013. There had been a significant decrease in public complaints on infrastructure development activities, mainly due to effective awareness programmes.

#### **5.2.5. Public Awareness Programmes**

In 2013, the Networks Division conducted sixteen (16) public awareness campaigns with the assistance of professionals specialized in this field. The main objective of these awareness programmes was to educate general public on issues related to antenna towers such as electromagnetic radiation and lightning.

#### **5.2.6. Type Approval and Issuance of Import Clearance**

In terms of the provisions of Section 5(q) of the Telecommunication Act, terminal equipment requires type approval from the Commission. Accordingly, telephone Instruments, fax machines; PABXs (Private Automated Branch Exchange), modems, cordless telephones and any other customer premises equipment to be connected to the licensed network require type approval. In 2013 forty three (43) new type approvals were granted by the Commission.

#### **5.2.7. Allocation of Short Codes**

Public and private sector institutions make requests for allocation of short codes to provide an easy access to the public for their service. When such requests are received, the Division obtains project proposals from the respective institutions and study the proposal in detail since utmost care should be given in allocating a scarce resource. After completion of the study the Division makes recommendations to the Commission with regard to the particular request. The number of three digit and four digit short codes allocated in 2013 was one (01) and seven (07) respectively.

**Short Codes Allocated in 2013** *Table 5.2*

| Organization                                    | Short Code |
|-------------------------------------------------|------------|
| Disaster Management Centre                      | 117        |
| Ministry of Higher Education                    | 1918       |
| Associated Newspapers Ceylon Ltd. (Lake House)  | 1949       |
| Department of Immigration & Emigration          | 1962       |
| National Hospital of Sri Lanka                  | 1959       |
| Ministry of Child Development & Women's Affairs | 1938       |
| Human Rights Commission                         | 1996       |
| Ministry of Technology & Research               | 1966       |

#### **5.2.8. National Policy on Antenna Structure Construction and Development of Guidelines for the Construction and Maintenance**

This activity was commenced with the intention of safeguarding the environment and public interests while not unduly restricting the development of telecommunication services. TRCSL appointed a Technical Advisory Committee to address the issues related to antenna structures and to draft policy guidelines for construction and maintenance of antenna structures. The policy guidelines have been approved by the Cabinet of Ministers and it is anticipated that issues related to tower construction and their maintenance will be handled more effectively when the relevant parties adhere to these guidelines.

#### **5.2.9. Investigation of Illegal Vendors**

As noted earlier it is necessary to obtain a license from TRCSL for selling telecommunication equipment. The Networks Division continued public awareness campaigns and investigation of illegal vendors with the assistance of Sri Lanka Police in order to force/encourage setting up of legal selling points of telecommunication equipment including mobile phones.

#### **5.2.10. Control of Illegal Operation of Cable TV Services**

According to Section 22(A) (1) of the Act no person shall perform cabling work in any premises except under the authority of a licence issued by the Commission for that purpose. In 2013 the Networks Division engaged in the control of illegal cable TV services island-wide with the assistance of the Criminal Investigation Department.



# PROJECTS & RESEARCH DIVISION

## Overview

With the rapid expansion in the Telecommunications industry, the TRCSL has planned for several projects and associated research activities in order to facilitate and orient the development of a sustainable and effective industry. Accordingly, the Commission established a separate Division named Projects and Research Division in 2013. Presently the Projects and Research Division is entrusted to manage the implementation of the Colombo Lotus Tower Project and Lotus Mall Project, while extending assistance to all other Project activities of TRCSL as and when directed by the Director General. The Colombo Lotus Tower being a massive unique project for the first time in Sri Lanka, it is very important to closely work with the Project Consultants and the Contractor to resolve all critical field issues to ensure smooth and uninterrupted progress of construction work. The Division also closely works with Cabinet Appointed Project Implementation Committee (CAPIC) where reported critical issues are discussed and directions issued and decisions are taken with regard to modifications that are necessary for the initial design to make the tower contemporary and modern at the time of completion. The Division coordinates with other Government authorities in complying with statutory requirements. The Division is mostly based in the site office, Lotus Tower Site and closely monitors project progress with a team of specialised engineers. It also actively supports the Project Site Office Management to maintain a sound working environment among Client, Consultant and the Contractor. All staff members of the Division attend weekly project review meetings to represent Client's interest. Presently this Division functions with three TRCSL officials and two Engineers at site. Director, Projects is entrusted with the responsibility of ensuring smooth implementation of the project from the start to successful completion with the guidance and direction of the CAPIC. Major functions of the Division include the following.

### 6.1. Functions

1. Coordination with the contractor, Treasury, Customs and various other Government and Local Government authorities that are responsible for approving technical and financial matters on project related imports, approvals etc.
2. Represent TRCSL on all Technical Meetings between Project Consultancy Unit (PCU) and main contractor and make recommendations to DG (Director General), TRCSL on technical matters.
3. Review project reports and extend all necessary assistance to PCU on project management.

4. Assist PCU on contract administration and make recommendation to DG, TRCSL on project variances and other critical issues.
5. Coordinate with Cabinet Appointed Project Implementation Committee and apprise them with the progress of the Project.
6. Act as the accepting authority on behalf of the client during project acceptance phase.

## **6.2 Performance**

The performance of the Division during the year 2013 is summarized below.

1. Organized 13 nos. of Project Implementation Committee (CAPIC) Meetings
2. Executed Consultancy Agreement with University of Moratuwa. – 15.02.2013
3. Obtained statutory Clearance for the Project
4. Completed piling works and tower Raft foundation of the Colombo Lotus tower.
5. Demarcated Land Boundary confirmation and securing the construction site.
6. Arranged utility services for the site.
7. Established Site Office
8. Obtained Approval and Recommendation for construction phases from Fire Service Department.
9. Obtained Construction Permit/ Development Permit from Colombo Municipal Council (CMC)
10. Recruited required project staff
11. Prepared and recorded documents for loan execution of the Colombo Lotus Tower Project
12. Obtained Government Guarantee for the loan
13. Obtained approval for Advance Payment guarantee format from the Central Bank and the Ministry of Finance and Planning
14. Executed loan disbursement
15. Regularized the VISA process
16. Regularized materials importation clearance in consultation with Ministry of Finance and Planning and Customs Department.
17. Advised and directed the contractor to obtain insurance policies for site staff and trainees

## **6.3 Project Progress (Colombo Lotus Tower)**

Thirty percent of Structural Construction works and ninety percent of Design Works were completed in 2013. China National Electronics Imports and Exports Corporation (CEIEC) has completed two stages of 15m level tower base roof slab and it is targeted to complete the slab by 15th January 2014. Construction work from foundation (5.0 meters below Sea level) to tower base roof top (15.0 meters above Sea level) was completed from January to December 2013.



*A graphical view of the Colombo Lotus Tower after completion*



*Constructions in Progress*

# NATIONAL BROADBAND INITIATIVE

CHAPTER

7

## Overview

The National Broadband Initiative (NBI) was launched at the TRCSL in 2013 to spearhead the development of high speed broadband services in Sri Lanka. The NBI functions directly under the telecom regulator and it would be the focal point of accelerated broadband development in the country.

In addition to the promotion of high speed broadband services in the country through a strategic process, this initiative would be over looking not only areas directly related to the growth of high speed Internet services but also certain areas that are being used for numerous activities in modern economies. The quality measuring on broadband services plays a key role to assist service providers to improve the levels of their services that they cater to end users.

As another gigantic step the NBI of TRCSL has recently joined hands with the Ministry of Education (MoE) and service providers to provide high speed broadband Internet services to schools to link computer labs in the Island.



*A school computer lab with high speed broadband Internet services*



The MoE/TRCSL initiative will cater school computer labs with cost effective cutting-edge high speed Internet services with targeting speeds up to 100Mbps. This is an extension to the existing network of the MoE, known as the SchoolNet that was started in 2006. The SchoolNet II will cover 4000 schools during its initial stage and will be targeting to cover all school computer labs by 2020.

In this regard a pilot project has already been launched in greater Colombo area by covering computer labs in leading schools. These computer labs have been provided with 4G LTE connections with speeds averaging to 40Mbps per lab.

### **NBI facilitated the First Smart ICT Classroom with high speed Internet**

The country's first Smart ICT Classroom which was established at the Mahinda Rajapaksa Vidyalaya in Homagama has now been provided with high speed Internet connectivity under the joint venture of the MoE/NBI initiative. This Classroom is equipped with modern ICT multimedia apparatus which work on the Internet platform. The education for children can be conducted online ensuring better education for all children in the country.

As the Smart Classroom conducts its lessons using the Internet, it requires connectivity with high speed and broader bandwidth. To meet this requirement two high speed 4G LTE connections were deployed at the school, exceeding 30Mbps in the downward direction.

### **Improved tool to measure broadband speeds accurately**

As high speed broadband emerges in many forms of technologies, from 4G LTE to FTTH (Fiber to the Home) the TRCSL has improved its online web-based Internet speed testing tool by adding new set of features.

To support the testing of high speed broadband services such as FTTH and 4G LTE, the TRCSL has linked testing servers in Netherlands and in Singapore. This new setup allows Internet subscribers to assess the quality of service (QoS) of their high speed links by connecting to a server not only in Europe but also by connecting to a server in Asia.

## Overview

As per the provisions of the ACT it is the responsibility of TRCSL to ensure reliable, affordable and quality telecommunication services to the people in the country. For this purpose, it is necessary to take appropriate measures to promote fair competition in the industry, regulate tariff, monitor interconnection services, publish industry information, direct operators to expand their networks to un-served and under-served areas by implementing subsidiary schemes and these functions are handled by the Competition Division of the TRCSL. The Division also monitors the collection of taxes, levies and cess from the operators and collects data for analytical purposes and provides industry information to the Central Bank, the Treasury and other appropriate local and international institutions.

The functions and the performance of the Competition Division are given below;

### 8.1 Functions

- Conduct tariff analysis including cost studies to formulate cost-based tariff regulations and process new tariff proposals for the approval of the Commission.
- Monitor sectoral performance through the analysis of financial and operational performance of licensed operators.
- Perform economic analysis of the sector.
- Process commercial terms of interconnection and inter-operator interconnection arrangements for the approval of the Commission.
- Ensure timely collection of audited financial statements from the Operators.
- Make proposals and Recommend programmes for ICT development in rural areas for the approval of the Commission.
- Collect and analyse statistical information of the industry.
- Monitor collection of Government taxes/levies (Telecommunication levy, International Telecommunications Operator levy) and cess from the industry.

### 8.2 Performance

#### 8.2.1 Tariff Regulation

The Commission is vested with the authority to approve tariff plans under the section 5(k) of the Act. Therefore, the licensed telecommunication operators are required to obtain Tariff Approvals

from the Commission before they offer a tariff plan to the market. Accordingly, they submit tariff proposals for their anticipated products and services from time to time. The Commission approves these tariff plans after a careful study considering Government policies, rules, guidelines and regulations. There are two types of tariff approval procedures namely, Long term basis tariff approvals and Promotional basis tariff approvals.

- a) Long term basis tariff approvals refer to permanent tariff approvals since they will be effective until a revision or a termination due to a determination of the Commission. If an operator is required to revise the tariff or if they need to continue with temporarily approved tariff plan or if they feel they need to offer the tariff plan for a longer period they can submit tariff plans under this category.
- b) Although the second type of approval is named as promotional basis tariff approval, it does not really mean promotion. Due to the competition operators need to react to other competitors' tariff offers quickly. Further, due to the uncertainty of the consumer behaviour operators may need to test the market. In such situations, the operators submit promotional basis tariff proposals and the Commission's approval is given temporarily for a maximum period of three months. If the operators require continuation of this tariff plan they can apply for long term basis tariff approval.

The total number of tariffs approved under the above two categories in 2013 amounted to 161 which comprised 25 long term basis tariff approvals and 136 promotional basis tariff approvals. During the year 2013, the floor rate for the voice call and SMS continued without any revision.

Sri Lanka is one of the countries having cheapest voice and Broadband Tariffs in the world. As per the ITU publication "Measuring the information society 2013" Sri Lanka has successfully addressed the issue of affordability. When the mobile call charges are concerned, our world rank was 14 in 2013 showing that only 13 countries had lower call charges than Sri Lanka. When the fixed broadband tariffs are concerned our rank was 9 in the Asia Pacific region. The affordability is one of the factors which drive subscriber penetration. Hence Sri Lanka is in a better position when compared with many other countries in the world.

## **8.2.2 Operational and Financial Performance**

### **8.2.2.1 Operational Performance**

By the end of year 2013, the total number of subscribers (both fixed and mobile) was 23 million and it was a decrease of 2.8 per cent as against year 2012. The number of fixed telephone subscribers in 2012 and 2013 was 3,449,391 and 2,706,787 respectively showing a substantial decline of 21.5 per cent during this period. In contrast, the number of mobile subscribers showed a slight increase of 0.4 per cent during the same period from 20,234,070 in 2012 to 20,315,150 in 2013



### 8.2.2.2 Financial Performance

#### I) Investment

Information with regard to investment by operators is shown in table 8.1. The investment by fixed operators has decreased by 26.6 percent from 20,638 Mn. Rupees in 2012 to 15,141 Mn. Rupees in 2013 while that of mobile operators has increased by 47.8 percent during the same period. The mobile sector has attracted more investment in 2012 and as well as in 2013. The investment in the mobile sector as a percentage of the total investment increased from 59.1 percent in 2012 to 74.4 percent in 2013 reflecting that operators have focused more attention to the mobile sector during this period.

**Investment by Telecom Operators, 2012– 2013** Table 8.1

| Type of Operator         | Investment ( Rs. Million) |        |
|--------------------------|---------------------------|--------|
|                          | 2012                      | 2013   |
| Fixed Operators          | 20,638                    | 15,141 |
| Mobile Operators         | 29,808                    | 44,047 |
| Fixed & Mobile Operators | 50,446                    | 59,188 |

*Note: Investment includes property, plant and equipment*

#### II ) Revenue

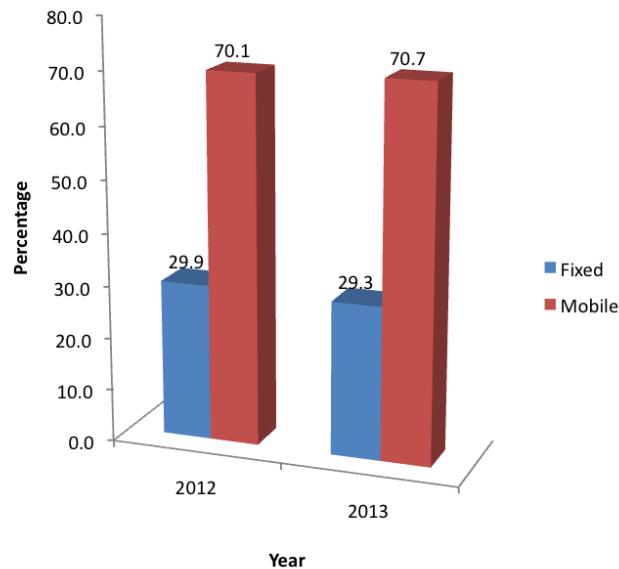
The revenue of the fixed Operators and the mobile Operators for the years 2012 and 2013 is given in table 8.2

**Revenue of Fixed and Mobile Operators, 2012- 2013** Table 8.2

| Type of Operator         | Revenue ( Rs. Million) |         |
|--------------------------|------------------------|---------|
|                          | 2012                   | 2013    |
| Fixed Operators          | 43,403                 | 46,318  |
| Mobile Operators         | 101,702                | 111,583 |
| Fixed & Mobile Operators | 145,105                | 157,901 |

The revenue of the fixed telephone industry has increased by 6.7 percent from 2012 to 2013 whereas that from the mobile telephony has increased by 9.7 percent during the same period. The overall revenue from both sectors has increased by 8.8 percent during this period. In 2012 the contribution to the total income from the fixed telephony and mobile telephony was 29.9 percent and 70.1 percent respectively. The corresponding figures for 2013 were 29.3 percent and 70.7 percent respectively (chart 8.1). Therefore the mobile telephone industry has dominated with a contribution of more than 70% to the total revenue in both years.

**Percent Contribution to total income, 2012-2013** *Chart 8.1*



### III) Net Profit/ Loss in the Industry

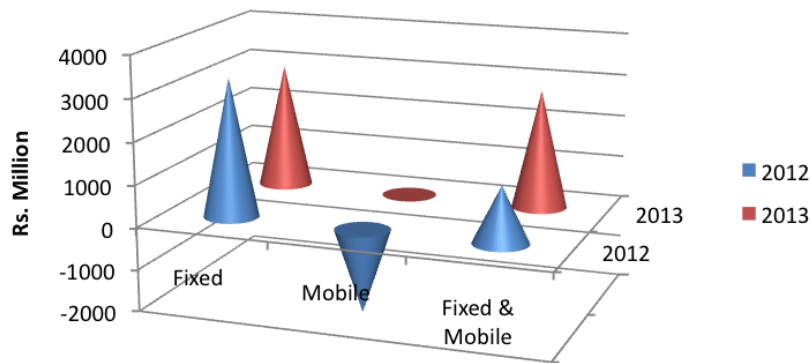
Table 8.3 shows the changes in the net profit/loss of the fixed and mobile telephone sectors in 2012 and 2013.

**Net Profit/ Loss in the Fixed and Mobile Industry, 2012-2013** *Table 8.3*

| Type of Operator         | Net Profit/Loss ( Rs. Million) |       |
|--------------------------|--------------------------------|-------|
|                          | 2012                           | 2013  |
| Fixed Operators          | 3,304                          | 2,962 |
| Mobile Operators         | (1,970)                        | (143) |
| Fixed & Mobile Operators | 1,334                          | 2,819 |

The net profit of the fixed telephone operators in 2012 was Rs. 3,304 million and it decreased by 10.4 percent to Rs.2,962 million in 2013. In the case of mobile telephony, the operators have encountered losses in 2012 as well as in 2013. However, there has been a reduction in the amount of loss from 2012 to 2013. The losses in 2012 and 2013 are Rs. 1,970 million and Rs. 143 million respectively indicating that the loss in the mobile industry has shown a precipitous decline of 93 percent from 2012 to 2013. The net profit in both sectors was Rs. 1.3 billion in 2012 and it increased to a net profit of Rs. 2.8 billion in 2013. The changes in the net profit/loss are graphically presented in chart 8.2.

**Net Profit/Loss of Operators, 2012-2013** *Chart 8.2*



#### **VI) Disbursement of Funds for Network Expansion in un-served and under-served areas.**

Every International Operator pays an International Telecommunications Operators Levy (ITO Levy) to the TRCSL in respect of every incoming international call terminated within Sri Lanka. A defined percentage of this levy is considered as a Telecommunications Development Charge (TDC) which is paid by the Operator directly to the TRCSL. Each Operator may claim up to two thirds of the funds paid by the Operator to the TDC within a period of three years for telecommunication network development in under-served and un-served areas as determined by the Commission. Guidelines for the disbursement of the TDC fund were formulated by the TRCSL to facilitate the Universal Service Obligations.

For the past period (2009/2010) TRCSL has approved disbursement of a sum of Rs 1696 Million for construction of new towers and base stations in rural areas and Rs 389 Million for setting up of 7700 new fixed wire line telephone connections in remote areas.

With the above disbursement project, Telecommunications Regulatory Commission has promoted the availability of telecommunication services at just, reasonable, and affordable rates, increased access to advanced telecom services throughout the country and encouraged service providers to expand services to rural, low income urban and insular community. TRCSL has utilized the TDC fund transparently to achieve universal service obligations in a more effective manner.

### Overview

One of the main objectives of TRCSL is to ensure the provision of a reliable and efficient national and international telecommunication service in Sri Lanka. For this purpose regulatory measures need to be taken to ensure that telecommunication service providers are compliant with their regulatory obligations to provide a reliable, efficient and quality telecommunications service. This necessitates continuous surveillance of the industry and enforcement of appropriate regulatory measures. Processing of consumer complaints and finding reasonable solutions to their problems enables customer satisfaction as well as improvement of the sector as a whole. These responsibilities were handled by the Compliance Division of TRCSL.

### 9.1 Functions

- Monitor adherence of operators to statutes, terms and conditions of the licences, TRC's directives, orders and determinations issued to them and take necessary regulatory measures.
- Monitor quality of service
- Resolution of consumer complaints
- Conduct public awareness programmes with a view to educating the general public on telecommunication related issues.

### 9.2 Performance

#### I) Surveillance Activities

The Division monitored, analysed and took regulatory measures in respect of the following:

- i. Violation of licence conditions including tariff, illegal call terminations etc.
- ii. Provision of unapproved services by licensed operators.
- iii. Advertising and offering for sale of non-type approved customer premises telecommunication apparatus by vendors.
- iv. Publication of misleading information on telecommunication services by the licensed operators

In 2013, the Compliance Division carried out investigations in to a wide range of tariff violation issues. The investigations were carried out on the initiatives of the Compliance Division as well as in response to information received by the Division. A large number of tariff violations were tariff packages offered

by licensed operators below the approved floor rate. Regulatory measures were taken to minimize such violations by licensed operators.

## **II) Quality of Service Activities**

The Division monitored quality of telecommunication services provided by the operators to ensure that these services conformed to the standards specified by the Commission. The following activities were carried out during the year under reference.

- i. Monitored, analysed and took regulatory measures for non-adherence to QoS (Quality of Service) Standards and Rules by the licensed operators/license holders and violation of specifications of the type approved customer premises equipment.
- ii. Revision of existing QoS standards and rules to be on par with the evolving technologies.

The statutory framework currently in force for QoS regulation needed revision to suit the evolving technologies. As such in the last quarter of 2013 a public consultation process was initiated to establish a QoS frame work for fixed and mobile voice services. Revision of exiting QoS Rules and Standards will be finalised in 2014 consequent to this public consultation.

## **III) Handling of Matters Related to Lost Mobile Phones**

As a social obligation the Compliance Division actively engaged in the process of finding lost mobile phones. On average, the Division receives about 200 complaints daily and so far approximately 100,000 applications have been accepted by the TRC on lost mobile phones and the Consumer Complaints and Public Awareness Division has assisted the police to recover several lost mobiles in 2013.

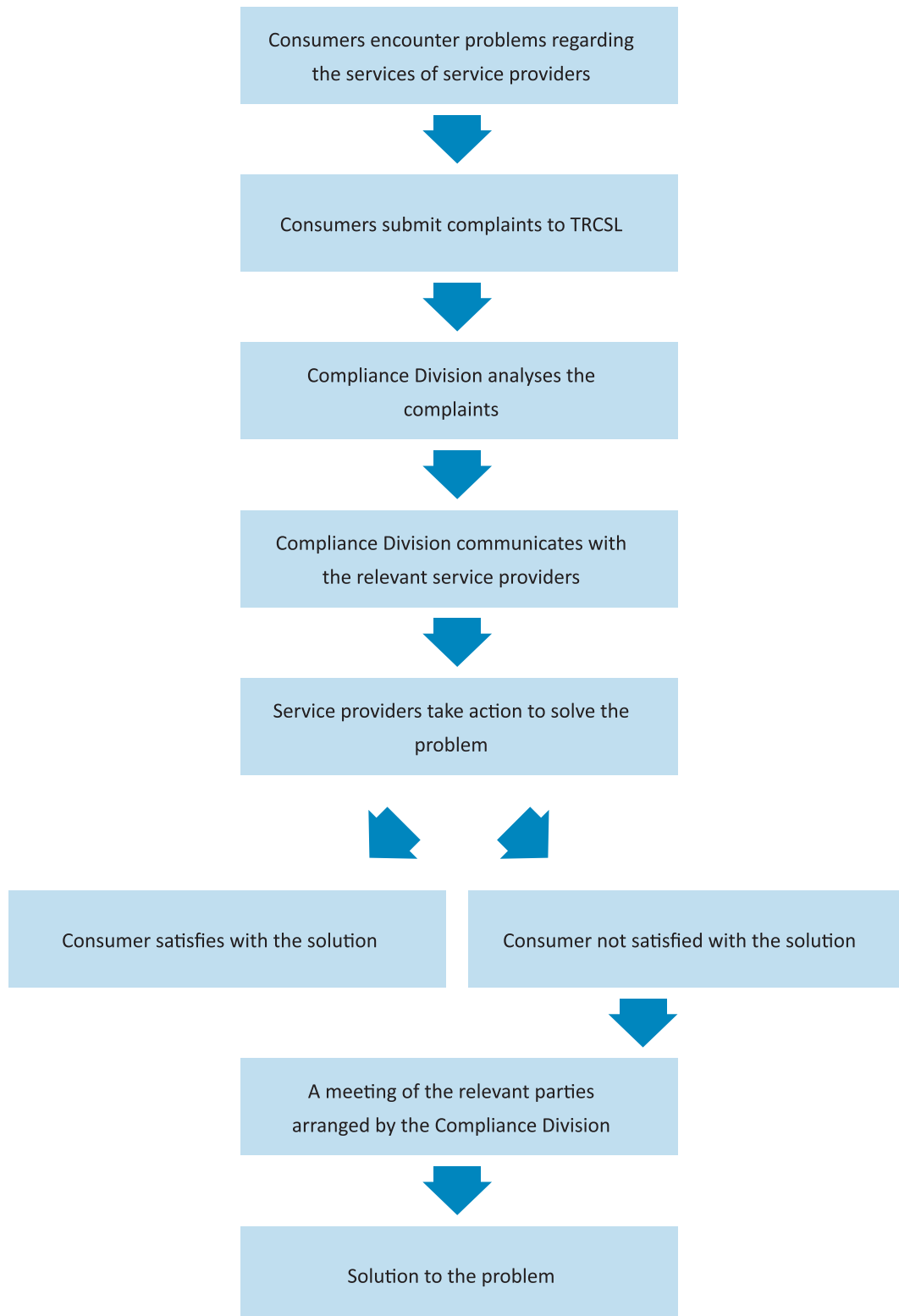
## **IV) Public Awareness Programmes**

When analyzing consumer complaints it was revealed that it is important to create awareness among the general public on the use of telephones as well as other related issues. Hence the Compliance Division undertook a wide range of awareness programmes to educate the general public on telecommunication related issues. The Division arranged several one day workshops to officers of the Police who directly handle crimes especially on telecommunication. The resource personnel of the workshops comprised senior officers of telecommunications service providers as well as senior officers of the TRCSL.

The Compliance Division implemented another awareness programme for school children who would be telecommunication subscribers in the near future. Six (06) programmes were conducted among leading schools in Colombo district. The Compliance Division expanded the awareness programme to school teachers, teacher instructors, school principals, and Directors of Education who directly deal with issues of children. The Compliance Division completed one such programme to Directors of Education in the Western Province at the office of the Provincial Education Ministry. It is expected to continue these programmes in the coming year. As part of the awareness programme the Compliance Division published articles in newspapers (approximately 100 numbers) and got involved in a few radio/television programmes.

## V) Resolution of Consumer Complaints

Consumer Complaints Resolution Process *Chart 9.1*





During the recent past, telecom industry has been a fast growing area of Sri Lanka's economy led by the mobile telephony segment as witnessed by a composite (fixed and mobile together) penetration rate exceeding 100% since 2010. Further, several players have entered the market making it highly competitive. Moving in tandem with these developments in the sector, there has also been a sharp increase in the number of telecommunications related complaints submitted by the general public. Therefore, TRCSL has taken action to enquire into complaints according to the stipulations of the Act. Accordingly, the Compliance Division took action with regard to complaints received from the general public on issues related to telecommunications. Complaints received were forwarded to relevant service providers for necessary action. Compliance Division followed up the same with the service providers and took necessary action to offer reasonable and justifiable solutions to the complainants. In case if the complainant was not satisfied with the solution offered by the service provider a meeting was arranged to enable both parties to discuss the issue with the involvement of the Deputy Director of the Compliance Division. TRCSL facilitated both parties to reach amicable solutions for such issues. The steps involved in handling consumer complaints are summarized in chart 9.1

### Overview

The Telecommunications Regulatory Commission of Sri Lanka is a regulatory body mandated under the statute to regulate the telecommunication industry in Sri Lanka. The Commission is vested with quasi judicial functions, and thus the decisions, determinations and orders of the Commission are made in accordance with the rules of natural justice principles of the law. The Legal Division of the Commission plays an important role by assisting the Commission in their decision making process by providing legal advice and setting up procedures. The functions and the performance of the Legal Division during 2013 are given below.

#### 10.1. Functions

- Provide legal opinion /advice to the Commission on matters / documents requiring such opinion.
- Draft rules, regulations, orders, directives, guidelines and licences for the Commission.
- Refer matters to the Hon. Attorney General or Private Counsels for litigation purposes.
- Represent the Commission in litigation and all matters relating thereto including drafting filing etc.
- Draft official letters, and other correspondence, Commission papers, contracts and agreements for the Commission.
- Issuance of Re seller Permits under section 18 A of the Sri Lanka Telecommunications Act.
- Provide legal support to other Divisions for Regulatory action and enforcement measures under the Sri Lanka Telecommunications Act. and the Finance Act. No. 11 of 2004
- Provide legal assistance to other institutions on Telecommunications related matters.

#### 10.2. Performance

In the year 2013 the Legal Division provided legal support to the Commission and the several Divisions of the TRCSL on regulatory matters such as frequency licensing, vendors licensing, tariffs, compliance issues, consumer and awareness matters, and in house legal matters relating to administration and human resources. The Officers of the Legal Division appeared before courts on behalf of the TRCSL. In certain court cases TRCSL has obtained the services of Attorney General's Department and other Private Counsels. About 25% of budget allocation for year 2013 for legal expenses has been utilized by the Commission. A brief description of major activities carried out by the Legal Division in 2013 is given below:-

## **Litigations**

### **10.2.1. Cases in Supreme Court / Court of Appeal**

No cases have been filed in the Supreme Court in year 2013.

Few cases are pending before the Court of Appeal. These cases have been filed primarily by broadcasting companies against regulatory decisions of TRCSL.

### **10.2.2. Attending to other cases before courts/tribunals and Commissions.**

There were many other cases filed in year 2013 and others that continued from previous years ranging from money recovery matters in the District Court, Commercial High Court and human resources related matters filed in the Labour Tribunals and Industrial courts.

Two applications were filed by two parties against TRCSL in the Human Rights Commission (HRC) of Sri Lanka. The decisions were in favour of TRCSL.

As part of the enforcement drive, action was also initiated to prosecute for committing offences for violating the Sri Lanka Telecommunications Act.

### **10.2.3. Other Matters**

In 2013 also we saw a steady increase in internet related complaints. Access restrictions were imposed on certain web sites in Sri Lanka on court orders and on the instructions of other state authorities having the mandate in that particular field. During the year the Legal Division also processed an increased number of Court Orders relating to requests for information on mobile/fixed phones connections.

# ADMINISTRATION & CORPORATE AFFAIRS DIVISION

## Overview

The scope of Administration and Corporate Affairs Division (ACAD) is very broad and it encompasses a wide range of tasks which are crucial for the smooth functioning of the organization. These include several areas such as planning, organizing, directing, monitoring and control; coordination within the organization as well as coordination with outside organizations; establishment work, evaluation, training, recommendation/approval of payments; procurement of goods and services; provision of transport facilities; looking into welfare of the staff; creating a physical environment conducive for the improvement of the quality of work and maintaining the same; provision of Information Technology facilities and library facilities; media coverage of important events of the Commission etc. These responsibilities were borne by the Administration and Corporate Affairs Division. The functions and performance of the ACAD are given below;

### 11.1 Functions

- Preparation of rules, regulations and procedures in relation to human resources management and general administration.
- Attending to all matters pertaining to recruitment, confirmation, performance appraisal, promotions, leave records, attendance, transfers, disciplinary control, release and retirement of staff.
- Maintenance of personal files of the staff.
- Preparing personnel plan for the Commission along with job descriptions for each position in consultation with respective senior managers.
- Preparing human resources development budget with senior functional heads.
- Preparing annual staff training programme.
- Coordinating training activities for both local and foreign personnel and making necessary travel, registration and other arrangements for trainees.
- Coordination of activities related to preparation of the annual report, corporate plan and action plan.
- Coordination of activities related to security service, cleaning service, building maintenance and repair and purchase of machinery and equipment.

- Ensuring efficient supply of electricity, water and telephone services.
- Maintenance of vehicle fleet
- Provision of logistic support to carry out activities of other Divisions of TRCSL.
- Recommendation/Approval of payments.
- Maintenance of inventory and record room.
- Conduct annual Board of Survey and make arrangements for disposal of unwanted items.
- Coordination of activities related to submission of answers to parliamentary questions, submission of reports to the Auditor General and the Committee on Public Enterprises (COPE), and submission of Cabinet memoranda.
- Communication with Department of Public Enterprises, Department of Management Service (DMS), and National Salaries and Cadres Commission.
- Coordination of all activities when participating in the annual Deyata Kirula Exhibition.
- Ensuring occupational health and safety measures.
- Administering the life assurance and medical insurance scheme for employees.
- Coordination of welfare activities to provide welfare services to the staff, handling grievances and counseling to provide financial and non-financial incentive packages.
- Handling Corporate Social Responsibility fund.
- Fulfilment of the IT requirements of TRCSL
- Provision of an efficient library service.
- Administration of the Media activities.

## **11.2. Performance**

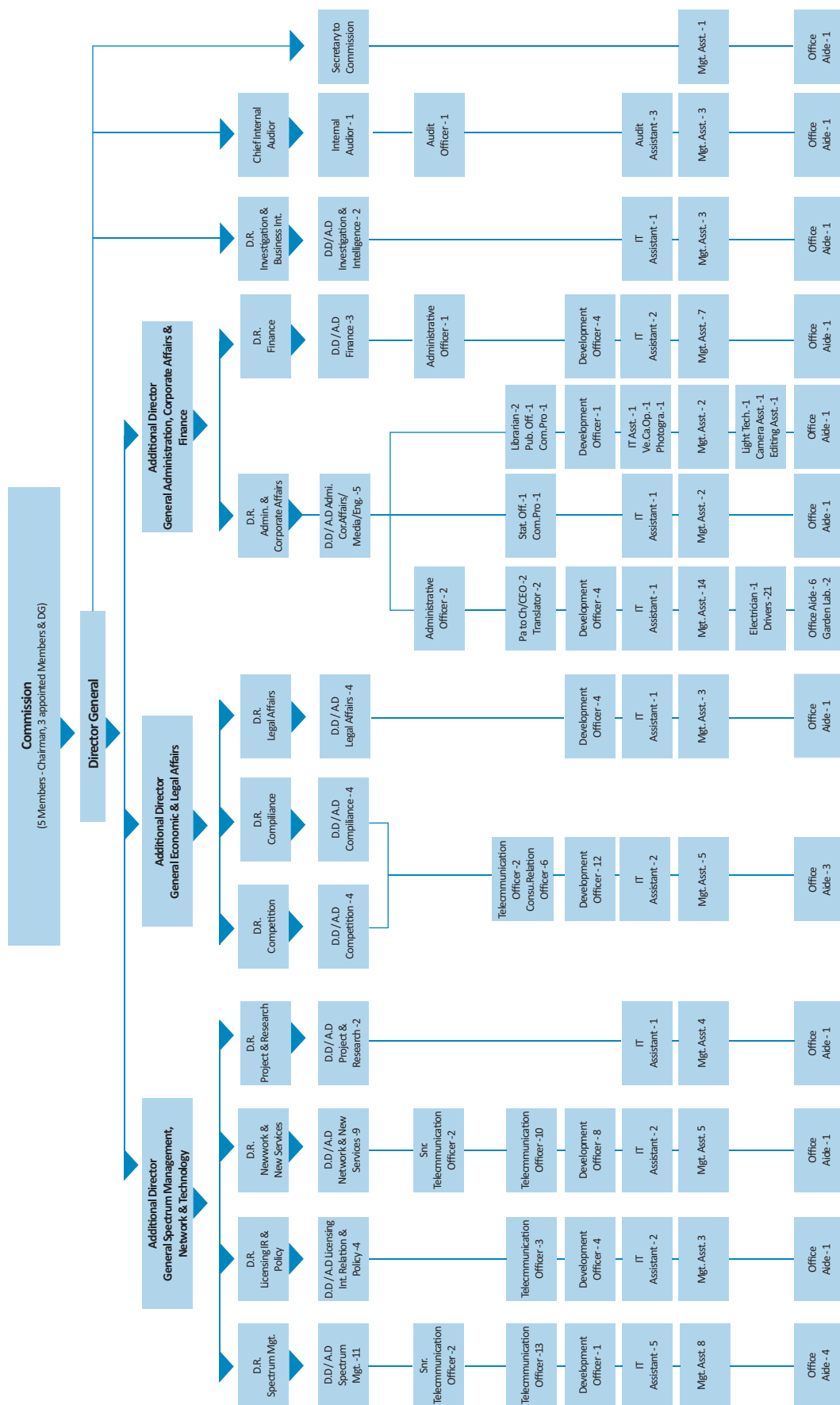
### **11.2.1. Revision of the Cadre and Organization Structure.**

As at 31st December 2013, the TRCSL comprised a total staff of 201 out of which 08 were in Senior Managerial level, 26 were in Middle Managerial level, 119 were in subordinate ranks and 48 were in minor grades. The approved cadre for the TRCSL was 290.

The Salaries and Cadres Committee had recommended the first cadre and the organizational structure for TRCSL in 1997. Between 1997 and 2012, the cadre was restructured with the concurrence of the Department of Management Services on 06 occasions.

Having considered the expansion of functions and duties of the TRCSL as a result of the vast development in the telecom sector, the TRCSL approved a new organizational structure with an increased cadre comprising 05 tiers; namely Senior Management, Middle Management, Junior Management, Subordinate and Primary levels. The Department of Management Services (DMS) of the Ministry of Finance and Planning with the concurrence of the Salaries and Cadre Commission, granted its approval for the revised cadre in August 2013.

The revised organizational structure, as approved by the Commission is given in chart 11.1.



### **11.2.2. Revision of the Remuneration Structure.**

The TRCSL is a regulatory institute established under the Telecommunications Amendment Act No. 27 of 1996, by which the Commission is empowered to “fix rates at which such officers and servants shall be remunerated”. The TRCSL is engaged in a very dynamic and technologically advanced industry, that requires highly qualified and competent personnel, including Engineers and Technicians in Telecommunications who are remunerated at considerably higher rates in Sri Lanka as well as in many other countries in the world.

The TRCSL generates an outstanding volume of revenue, out of which a major share is dedicated for development of the Telecommunication industry, whilst another large proportion goes to the state accounts. Therefore, the TRCSL has not been a burden to the Treasury, instead a major contributor to the State revenue. This revenue is generated through exploitation of the competencies of the staff and through their dedication to work, for which they shall be rightfully and equitably remunerated.

The basic salary structure applicable to the public sector and public enterprises set out in the Circulars DMS/30/2006 and DMS/30/2006(1) has not been revised for more than 7 years and several allowances such as Cost of Living Allowance and Special Allowance have been introduced along with the rising cost of living to compensate the employees’ concerns on reducing purchasing power.

Several regulatory institutions such as the Central Bank, the Securities and Exchange Commission have been adopting salary structures of their own for a long time, which are far above than those of the public sector.

Having considered the above and the difficulties in applying the generalized salary structure to the TRCSL staff, a new salary structure was introduced with effect from 01st August 2013.

### **11.2.3. Issuance of Office Circulars and Introduction of Office Procedures**

During 2013, the Administration and Corporate Affairs Division issued Office circulars pertaining to following subject areas in order to streamline the respective areas and increase the productivity of the organization.

- Reporting on overseas travel for Training Programmes /Workshops /Seminars/Study Group Meetings.
- Taking action on official correspondence and public complaints made to TRCSL.
- Assignment of Financial Authority for year 2013 in terms of Financial Regulations No. 135 – No. 139 and 142-144
- Maintenance of records on office goods, equipment, properties and transfer of these assets
- Documentation of vouchers submitted for payments
- Providing the service in most accurate and efficient manner by following office procedures by the staff of TRCSL



- Salary revision of the approved cadre of the Telecommunications Regulatory Commission of Sri Lanka
- Retirement age of the employees of TRCSL
- Improvement to Cash-Flow Management Process currently in operation for payment of salaries to the officers of TRCSL
- Engaging in Overtime work.

#### 11.2.4.Training

The TRCSL provided local as well as overseas training opportunities for the staff for enhancing their knowledge, developing skills and changing attitudes. Information relating to the training Programmes/ Fellowships/Seminars in 2013 are given in Table 11.1

**Participation of TRCSL Staff in Training Programmes/Fellowships/Seminars, 2013** *Table 11.1*

##### a) Overseas Programmes

| Scope of Training/Fellowship/<br>Seminar                                                                      | Country     | Period       |            | Number<br>Participated |
|---------------------------------------------------------------------------------------------------------------|-------------|--------------|------------|------------------------|
|                                                                                                               |             | From (d/m/y) | To (d/m/y) |                        |
| Cyber Security Forum 2013                                                                                     | Cameroon    | 20-Apr-13    | 29-Apr-13  | 1                      |
| Ministerial Programmed on GSM<br>Mobile World Congress                                                        | Spain       | 14-Feb-11    | 16-Feb-11  | 3                      |
| ICT Services & e-Applications for<br>Overcoming Digital Divide                                                | Japan       | 13-Jan-13    | 02-Feb-13  | 1                      |
| Workshop on ICT Impact on<br>Productivity of Service Sector                                                   | Iran        | 18-Jan-13    | 25-Jan-13  | 1                      |
| “FTTH and Wireless Access<br>Technologies to support the<br>expansion of broadband<br>network infrastructure” | Japan       | 20-Jan-13    | 02-Feb-13  | 1                      |
| Consultant Visit to China for<br>Details Design Finalization                                                  | China       | 25-Jan-13    | 02-Feb-13  | 10                     |
| ITU -T Study Group5 meeting on<br>Environment and Climate change                                              | Switzerland | 28-Jan-13    | 09-Feb-13  | 1                      |
| Consultant Visit to China for<br>Details Design Finalization                                                  | China       | 28-Jan-13    | 03-Feb-13  | 1                      |
| 6th E gov. Africa Forum of CTO                                                                                | Botswana    | 03-Mar-13    | 11-Mar-13  | 1                      |
| Seminar on Outcomes of<br>WTSA-12 & WCIT-12 & APT<br>Standardization Program                                  | Thailand    | 06-Mar-13    | 16-Mar-13  | 1                      |
| 14th Meeting of the APT<br>Wireless Group                                                                     | Thailand    | 17-Mar-13    | 22-Mar-13  | 1                      |
| Seminar on costs and Tariff for<br>Asia & Pacific and SG3RG-AO<br>Meeting                                     | Japan       | 07-Apr-13    | 11-Apr-13  | 1                      |
| Participation as Member<br>of Interview Panel for the<br>recruitment of CTO                                   | UK          | 26-Apr-13    | 02-May-13  | 1                      |

| Scope of Training/Fellowship/<br>Seminar                             | Country     | Period       |            | Number<br>Participated |
|----------------------------------------------------------------------|-------------|--------------|------------|------------------------|
|                                                                      |             | From (d/m/y) | To (d/m/y) |                        |
| 14th Meeting of SATRC                                                | Maldives    | 13-May-13    | 17-May-13  | 1                      |
| VI Meeting of ISDB-T<br>International Forum                          | Uruguay     | 24-May-13    | 01-Jun-13  | 2                      |
| Regional Workshop on Satellite<br>Launching and Coordination         | Indonesia   | 02-Jun-13    | 06-Jun-13  | 1                      |
| 2013 Session of the Council of<br>ITU                                | Switzerland | 09-Jun-13    | 23-Jun-13  | 3                      |
| 2nd APT HRD Experts Meeting                                          | Thailand    | 11-Jun-13    | 13-Jun-13  | 2                      |
| 2nd Meeting of the APT<br>Conference Preparatory Group<br>for WRC 15 | Thailand    | 29-Jun-13    | 07-Jul-13  | 1                      |
| 13th Global Symposium for<br>Regulators                              | Poland      | 01-Jul-13    | 08-Jul-13  | 2                      |
| ITU-Working Party 5D                                                 | Japan       | 08-Jul-13    | 19-Jul-13  | 1                      |
| Workshop on Disaster<br>Management/Communications                    | Philippines | 22-Jul-13    | 26-Jul-13  | 1                      |
| SATRC Workshop on Policy,<br>Regulation and Services                 | Nepal       | 29-Jul-13    | 03-Aug-13  | 2                      |
| USTTI Mobile Broadband Training                                      | USA         | 06-Aug-13    | 17-Aug-13  | 1                      |
| 10th Asia Pacific<br>Telecommunication and ICT<br>Development Forum  | Bangladesh  | 19-Aug-13    | 23-Aug-13  | 1                      |
| Learning Programs in Korea                                           | Korea       | 01-Sep-13    | 07-Sep-13  | 1                      |
| 4th Meeting of ITU-D Study<br>Groups                                 | Geneva      | 07-Sep-13    | 22-Sep-13  | 1                      |
| 22nd APT Standardization<br>Program Forum                            | Thailand    | 08-Sep-13    | 16-Sep-13  | 1                      |
| IPMAN and its Application                                            | China       | 11-Sep-13    | 19-Sep-13  | 1                      |
| Meeting of Study Group 2                                             | Geneva      | 16-Sep-13    | 20-Sep-13  | 1                      |
| Colombo Lotus Tower Project                                          | China       | 21-Sep-13    | 30-Sep-13  | 14                     |
| Training Course on Spectrum<br>Management                            | India       | 22-Sep-13    | 28-Sep-13  | 1                      |
| The Preparatory Meeting                                              | Thailand    | 23-Sep-13    | 26-Sep-13  | 1                      |
| 2nd APT Workshop on Digital<br>Economy                               | China       | 23-Sep-13    | 28-Sep-13  | 1                      |
| CTO-53rd Council Meeting                                             | Nigeria     | 05-Oct-13    | 15-Oct-13  | 2                      |
| 13th APT Policy and Regulatory<br>Forum                              | Malaysia    | 07-Oct-13    | 11-Oct-13  | 1                      |
| ITU-KCC International Training<br>Program                            | Korea       | 13-Oct-13    | 19-Oct-13  | 1                      |

| Scope of Training/Fellowship/<br>Seminar                                | Country   | Period       |            | Number<br>Participated |
|-------------------------------------------------------------------------|-----------|--------------|------------|------------------------|
|                                                                         |           | From (d/m/y) | To (d/m/y) |                        |
| 2nd and 3rd APT Preparatory Meeting                                     | Australia | 21-Oct-13    | 01-Nov-13  | 1                      |
| Cloud Computing                                                         | India     | 27-Oct-13    | 02-Oct-13  | 1                      |
| Seminar on Information Technologies Regulations                         | Turkey    | 02-Nov-13    | 06-Nov-13  | 1                      |
| 37th Session of the Committee Meeting of the Asia Pacific Telecommunity | Vietnam   | 04-Nov-13    | 09-Nov-13  | 1                      |
| Building Effective Wage Policies                                        | Italy     | 24-Nov-13    | 30-Nov-13  | 1                      |
| Radio Spectrum Management Monitoring for Wireless Broadband             | Japan     | 25-Nov-13    | 05-Dec-13  | 1                      |
| 17th Meeting on Network Security                                        | Geneva    | 25-Aug-14    | 06-Sep-14  | 1                      |
| Access Network Technologies to Support the Broadband Expansion          | Japan     | 01-Dec-13    | 14-Dec-13  | 1                      |
| Action for Next Generation Mobile Communication System                  | Japan     | 10-Dec-13    | 20-Dec-13  | 1                      |

## b) Local Programmes

| Programme                                                                                                      | Duration & Venue                                                   | Number<br>Participated |
|----------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|------------------------|
| Effective Management Skill for Administrative Officers of the Public Sector                                    | 2days - Skills Development Fund Ltd.                               | 1                      |
| Budget Seminar 2014                                                                                            | 1day - Hotel Galadari                                              | 1                      |
| Seminar on "Budget Highlights 2014                                                                             | 1 day - Institute of Certified Management Accountants of Sri Lanka | 1                      |
| Training of TRCSL Staff on Long Term Evolution (LTE)                                                           | 10 days - Telecoms Academy                                         | 12                     |
| National Conference of Chartered Accountants                                                                   | 2 days - Chartered Accountants' Institute                          | 2                      |
| Transition to Efficient Lighting                                                                               | Hotel Galadari - Colombo                                           | 3                      |
| SEARCC – 2013 International Conference                                                                         | 2 days - Hotel Galadari - Colombo                                  | 1                      |
| CMA International Management Accounting Conference 2013 – "Sustainable Value Creation through Cost Efficiency" | 2 days - Cinnamon Lakeside, Colombo                                | 3                      |

#### **11.2.5 Procurement Activities**

The Division coordinated all activities in the supply of different types of goods and services to the Commission . These activities included preparation of bidding documents, publication of notices, appointment of Procurement Committees (PCs) and Technical Evaluation Committees (TECs), preparation of reports for obtaining required approvals, intimation of the decisions to selected parties, preparation of service agreements in collaboration with the Legal Division as and when required and supervision of the work of the service providers and taking corrective measures when deviations from the service agreements were observed.

During the period under review, the number of Junior and Senior Tender Board meetings held were 04 and 05 respectively. The total value of the procurements approved by the Junior Tender Board was Rs. 1.66 Mn. and it granted approval for the maximum fixed rates for civil Maintenance works of TRCSL. The total value of the procurements approved by the Senior Tender Board was Rs 1.93 Bn. Accordingly the total value of the procurements approved by the two tenderboards was around Rs. 1.932Bn.

The Division ensured efficient supply of electricity, water and telephone services and also took all possible measures to ensure timely supply of stationery, office equipment, machinery to all the Divisions of TRCSL.

The main objective of the above activities was to supply the required services and materials in time for smooth functioning of the organization in a transparent, cost effective and fair manner.

#### **11.2.6 Maintenance of Vehicle Fleet**

The vehicle fleet of TRCSL consisted of fourteen cars, three double cabs, three jeeps, four vans, one bus, four lorries and one three-wheeler. The bus was allocated for inspection visits, transporting officials for exhibitions, staff welfare activities etc. Some vehicles of the fleet were allocated to officers who had the entitlement for an assigned vehicle and the other vehicles were used for official work such as inspection visits, participation in meetings/workshops/seminars, organizing exhibitions, collection of mail, hand delivery of official letters etc. An amount of Rs. 7.07 million was spent in 2013 for the repairs and replacement of tires and batteries and obtaining revenue licences for the vehicle fleet.

#### **11.2.7 Board of Survey**

The annual Board of Survey for year 2012 was conducted in year 2013. A Board comprising 03 members was appointed to carry out the survey. The report of the Board was submitted to the management for further actions.

#### **11.2.8 Coordination of activities of the Deyata Kirula Exhibition**

The Deyata Kirula National Development Exhibition for year 2013 was held at Hardy Advanced Technology Institute premises in Ampara District in line with the objectives of the Mahinda Chinthana to give priority to the development of rural areas in Sri Lanka. The ACAD in collaboration with the other Divisions of the TRCSL organized the stall of the TRCSL that exhibited latest developments in the telecommunication field and also provided important information to the public with regard to the

services offered by the TRCSL. The ACAD took initiative in appointing the organizing committees, obtaining suitable exhibition slots, arranging accommodation and transport facilities for the staff and exhibits.

### **11.2.9 Welfare Society**

The welfare society of TRCSL comprising the members of the staff is considered as an autonomous body under the management of an Executive Committee appointed at the Annual General Meeting (AGM). The fund of the welfare society is controlled by the said Executive Committee subject to the audit by an auditor elected at the AGM.

#### **11.2.9.1 Welfare Activities**

The following welfare activities were carried out during the period under reference.

##### **i. Amendment of the Constitution**

Considering the financial stability and welfare requirements of the staff and their family members, a new constitution was adopted. As a result, the membership was opened to all employees attached to TRCSL and more welfare facilities could be offered to the members.

##### **ii. Cafeteria and Welfare Shop**

- The management and operation of the cafeteria was taken over by the welfare society as a part of its staff welfare services in order to cater to the daily requirements such as breakfast, lunch, evening snacks, evening takeaway and needs of internal meetings and conferences, with good quality at subsidized prices.
- To enhance and upgrade the services of the cafeteria, kitchen equipment were purchased with the support of the TRCSL management.
- The cafeteria expanded its service to cater snacks and tea for visitors.
- The welfare society as a part of its welfare work undertook the daily tea supply service of TRCSL which helped the staff to enjoy good quality tea twice a day.
- The welfare shop was upgraded and modified to improve its services and several varieties of food and beverage items have been sold under easy payment schemes at lesser prices.



*Opening of the TRCSL Cafeteria after the Welfare Society Took Over its Management*

### iii. Religious Activities

- In line with the opening of the cafeteria by the welfare society on 15th May 2013, and in line with the Vesak Poya, an almsgiving was organized for which Gangodawila Balika Niwasaya at Nugegoda was selected. With the advice and guidance of the patron of the welfare society and the Director General TRCSL, exercise books, stationeries, story books written by Mrs. Chamila Rupasingha, fruit and other food items were donated in addition to providing the lunch of the day. At the end of the almsgiving the girls of the Balika Niwasaya performed and showed their talents.



*Alms giving Nugegoda Balika Niwasaya*

- As a part of Vesak and Posen religious activities, the welfare society organized two dhamma programmes. The society invited Koratota Wessaboo Thero for preaching of dhamma and it was broadcast through the Buddhist channel. At this event the society distributed books written by Rev. Kukulpane Sudassi Thero among the TRCSL staff.



*Vesak Dhamma Deshana at TRCSL Premises*

The welfare society also undertook Vesak decorations of TRCSL by making large Vesak lanterns. Mr. Suminda Silva and Mr. W.M. Thrindu Darshana Padmakumara, two staff members of TRCSL took the lead in this activity and other staff also extended their support to accomplish this task.



#### **IV Entertainment Programmes.**

- A radio programme popular among government officers “Lipi Gonuwe Sonduru Minisa” was recorded in TRCSL office premises on 15th July 2013. Thirteen (13) singers participated in the event and showed their talents. It was broadcast in Swdeshiya Sewaya” of Sri Lanka Broadcasting Corporation at 12.00 on 14th August 2013.



*Recording of the Radio Programme*

- With the permission of the management the staff learnt and practised music after office hours and the music group was led by staff member Mr. R.N.P.K. Rathnapala.
- A competition was held to write a theme song for the welfare society. The best was selected by an independent committee and it has been decided to adopt it as the theme song of the welfare society.

#### **V. Health Services and Awareness Programmes**

- Pursuant to a request made by the National Blood Collecting Centre, the society organized a blood donation campaign at TRCSL office and more than 35 members voluntarily participated in this important event.



*Blood Donation Campaign at TRCSL Premises*



- The society facilitated and provided opportunity to the staff members to purchase “Pure It” water filters on easy payment basis from State Trading Company (Pvt) Ltd. Thirty five (35) staff members benefitted from this facility.
- Eye Care Institute held an eye clinic and an awareness programme for the staff and gave the opportunity to buy spectacles from J.A. Jayasingha Eye Opticians at the office premises on easy payment basis.
- Organized an awareness programme on “How we could minimize cancer” and a medical clinic for the female staff of TRCSL was conducted in collaboration with the Cancer Detection Centre.
- Organized a public lecture on plastic recycling, solid waste and e-waste management with the support of Central Environmental Authority.
- A lecture was conducted by Sri Lanka Insurance Cooperation on insurance coverage policies for loans.

#### **vi. Consumer services**

With the permission of TRCSL management the welfare society organized sales counters for the staff on following categories.

- Imported sarees – Cotton and Synthetic products
- Leather products – Shoe organizer and cloth organizer
- Ladies shoes
- Consumer and cosmetic products
- Gold jewellery
- Electrical goods

#### **Vii Transport Facilities**

To overcome transport difficulties from TRCSL office to main railway stations, the welfare society arranged a bus daily starting from TRCSL.

#### **11.2.10. Annual Family Day**

This was a two day programme held on 31st August and 01st September 2013 in Habarana . The objective of the programme was to develop the cordial relationship among the staff as well as their families, while giving them an opportunity to optimize their leisure time.



*Family members gathered at the Habarana “Chaaya Village Hotel”*

### 11.2.11. Annual Sports Meet

The sports meet was held on 21st December 2013 at Royal College Ground in collaboration with the Sports Club of the TRCSL. The Chairman and the Director-General graced the event as chief guests. All staff members irrespective of the levels to which they belonged to gathered together and competed under three teams namely, Parakrama, Wijaya, and Gemunu. A large number of staff members actively participated in several indoor and outdoor games including the track and field events. The sports meet was an opportunity for the staff to explore and expose their talents in athletics and also to develop team spirit beyond the official hierarchy.



*TRCSL Sport Meet - Opening Ceromeny at Royal Colleege Ground*



*TRCSL Sport Meet – Price giving*

#### **11.2.12. Fulfilment of Information Technology requirements**

All the Divisions of the TRCSL use Information and Communication Technology in carrying out their functions and it is the responsibility of the ACAD to fulfil the IT requirements efficiently and effectively to facilitate the other Divisions to carry out their functions with an efficient ICT infrastructure. The following activities were carried out during the year under reference.

- Administration and maintenance of the TRCSL Mail Server, Domain Server (Active Directory-AD), Data Protection Manager (DPM)- (SCCM) System Center Configuration Manager , PCs (Personal Computers), Printers, Routers, etc.
- Developing and designing IT applications for all the TRCSL Divisions.
- Providing training on IT user base to TRCSL staff.
- Collecting and disseminating information through exhibitions.
- Providing wireless network solutions to selected Divisions.
- Awarding the tender for development of TRCSL new website to University of Colombo School of Computing (UCSC).
- Evaluation of UCSC Developed prototypes.
- Migration of CMS (Content Management System) of TRC website from Joomla 1.5 to Joomla 2.5. (Joomla is a Content Management System for publishing web content).
- Appointment of Content Management Team (CMT).
- Maintaining the TRCSL website under the guidance of the Content Management Team.

#### **11.2.13 Library**

Telecommunications is a rapidly evolving subject area and therefore the individuals engaged in the industry and other interested parties need to continuously update their knowledge on this subject. The Library of TRCSL has been established for this purpose. The TRCSL library has a large collection of text books and magazines on telecommunications and it is being continuously strengthened in order to fulfil the requirements of the users. The Library provides reference facilities not only to TRCSL staff but to external parties such as researchers, university students and school children as well.

The following activities were carried out during the year under reference;

##### **11.2.13.1 Maintenance and strengthening of the Library**

The ACCD continued the maintenance of the library which contains several documents, books and periodicals relevant to the telecommunications sector. In addition to books and magazines on Telecommunication, the library contains important reading materials on other subject areas such as Management, Law, Economics, Accountancy etc. The clients of the library comprised TRCSL staff, university students, teachers, school students, researchers and librarians. It provided information to the clients using internet and other library databases. Photocopy facilities were also made available to the clients on their request. Email and internet facilities, fax facilities and telephone facilities of the library were used to provide necessary information to the clients expeditiously.



### 11.2.13.2 Maintenance and Strengthening of the Library

In order to strengthen the library several local and foreign books including ITU publications were purchased in 2013 and a total sum of Rs. 659,704/= was spent for this purpose out of which Rs. 566,948 was spent for Overseas books and Rs. 92756/= for local publications.

In addition to purchasing above books, the Library subscribed/renewed subscriptions to the several magazines and the relevant information including the total amount spent for each type of subscription is given in table 11.2.

**Subscriptions to Magazines ,2013** *Table 11.2*

| New Magazines   | Renewals                     |                    |
|-----------------|------------------------------|--------------------|
|                 | Overseas Magazines           | Local Magazines    |
| Doctor magazine | Harward Business Review      | ArthikaWimasuma    |
| Arogya          | National Geographic Magazine | Economic review    |
| Nawayugaya      | New Scientist                | Business Today     |
| Satahana        | Economist                    | Reader's Digest    |
| Desathiya       | Time                         | LMD Magazine       |
|                 |                              | Pariganaka         |
| <b>Rs. 2310</b> | <b>Rs. 101990.00</b>         | <b>Rs. 9530.00</b> |

### 11.2.13.3 Renewal of membership to obtain facilities of other libraries

Renewed the institutional membership of the following:

**Public Library**

**National Library**

**British Council**

The TRCSL provided funds for obtaining membership of the British Council. In the case of the Public Library, the staff members were required to obtain individual membership after the payment of the membership fee. Because of the possession of institutional membership, members of the TRCSL staff could obtain the services of the above libraries easily. The possession of institutional membership enabled the TRCSL staff to obtain books/magazines etc. from the mobile library service of the Public Library. Mobile library visited TRCSL premises every fortnight in 2013.

### 11.2.13.4 Coordination with other institutions for obtaining inter library loan facility

TRCSL Library coordinated with the National Library and other institutions such as National Institute of Business management (NIBM), Labour Department, National Science Foundation (NSF), University libraries etc. for providing inter library loan facility service to the TRCSL staff.

#### 11.2.13.5 Collection of important information and preparation of indexes

Collection of important reference materials and preparation of indices was continued in year 2013. Articles related to Telecommunication, Health, Education, Environment etc. were collected from newspapers and periodicals and they were arranged chronologically. Indexes on newspaper advertisements and publications of the Commission were also prepared by the Library during the period under reference. The Library prepared indexes on important areas related to TRCSL such as overseas training of the staff, extra ordinary gazette notifications and circulars issued by from time to time by the Commission, Ministry of Public Administration, Department of Management Services and Department of Pensions. The Library collected past examination papers for the benefit of applicants who apply for the Amateur Radio Examination.

#### 11.2.13.6 Development of PURNA System

The PURNA data base was developed to retrieve telecommunications related information conveniently.

#### 11.2.13.7 Organization of seminars/workshops for TRCSL staff

Information on the seminars/workshops organized by the Library in 2013 is given in table 11.3

**Seminars/Workshops Organized by the Library, 2013** *Table 11.3*

| Subject Area                    | Number Participated |
|---------------------------------|---------------------|
| Safe Driving                    | 50                  |
| Fire Protection                 | 50                  |
| Lightning and Natural Disasters | 55                  |

#### 11.2.14 Media Activities

When an important event of TRCSL takes place the staff entrusted with the responsibility of media coverage visit the venue and take photographs and videos, edit the coverage and store them in the form of a library using modern technology. After obtaining approval of the Management the photographs and videos are forwarded to relevant institutions with a view to making the public aware of the important activities undertaken by TRCSL. When forwarding information to external sources the media staff obtains details of the subject areas from the relevant Divisions of TRCSL.

##### 11.2.14.1 Performance

In addition to preparing 1000 DVDs the following events were covered during 2013;

- Lotus Tower Project
- Awareness programme on Road Rules for drivers
- Workshop on conservation of documents held at Department of National Archives
- Donation of computers for students of Jaffna
- Donation of computers for persons with special needs
- Presentation of TRCSL Disciplinary Code
- TRCSL Promotions

- Opening of TRCSL Gymnasium
- Blood donation campaign organized by the Welfare Society
- Opening of the Cafeteria
- Wesak celebrations at TRCSL
- Awareness programme on lightning and natural disasters
- Workshop on Greening the Future: Bridging the Standardization Gap on Environmental Sustainability
- Opening of the Computer Laboratory of the Watareka Kanista Vidyalaya at Homagama under the “Connect a school Connect a Community Project”
- Workshop to officers of the Police who handle crimes related to telecommunication.
- Workshop on formulation of a new Telecommunications Act
- Ranawiru Housing Project at Watareka, a TRCSL donation
- TRCSL sports meet

## Overview

Internal auditing is an independent activity aimed at adding value and improving the operations of an establishment. It is a catalyst for improving an organization's effectiveness and efficiency by providing insight and recommendations based on analyses and assessments of data and business processes. With commitment to integrity and accountability, internal auditing provides value to governing bodies and senior management as an objective source of independent advice. The scope of internal auditing within an organization is broad and may involve areas such as the efficacy of operations, the reliability of financial reporting, deterring and investigating fraud, safeguarding assets, and compliance with rules and regulations.

The Head of the Internal Audit Division (Chief Internal Auditor) of TRCSL directly reports to the Commission and the reports are submitted to the Audit Committee. Administratively, The Chief Internal Auditor reports to the Director General.

### 12.1. Functions

- Review and appraisal of existing accounting and reporting systems of TRCSL with a view to making improvements thereto.
- Investigation into causes and effects of inabilities (if any) to achieve the objectives of TRCSL.
- Ascertainment of the extent to which TRCSL assets are safeguarded from losses and frauds
- Making inquiries into necessities of transactions, benefits of transactions and exploration of areas of cost reduction by eliminating waste and extravagance.
- Submission of reports to the Audit Committee based on the findings of the above mentioned tasks and arranges Audit Committee meetings.
- Preparation and circulation of the decisions of the Audit Committee to Heads of Divisions to take appropriate action.
- Submission of half yearly reports to the Auditor General's Department.
- Carry out special investigations when requested by the Director General / Members of the Commission.
- Assist and make recommendations to various committees appointed by Director General / Commission from time to time.



## 12.2. Performance

During the year 2013, four Audit Committee meetings were held and fifteen (15) reports submitted by the Internal Audit Division were discussed at these meetings.

The subjects areas covered in the reports are given in table 12.1

**Internal Audit Reports, 2013** *Table 12.1*

| Report No | Date of the Report | Subject Area                                                                                    |
|-----------|--------------------|-------------------------------------------------------------------------------------------------|
| CIA/13/01 | 18/02/2013         | Duty List for Employees of TRCSL                                                                |
| CIA/13/02 | 21/02/2013         | Stamp Duty                                                                                      |
| CIA/13/03 | 26/02/2013         | Checking of Payment Vouchers                                                                    |
| CIA/13/04 | 14/03/2013         | Reports submitted by Auditor General's Department                                               |
| CIA/13/05 | 04/03/2013         | Collection of Telecommunications Levy                                                           |
| CIA/13/06 | 11/04/2013         | Computation of PAYE (Pay As You Earn)                                                           |
| CIA/13/07 | 12/04/2013         | Payment of Salaries                                                                             |
| CIA/13/08 | 22/05/2013         | Reports submitted by Auditor General's Department                                               |
| CIA/13/09 | 09/07/2013         | Payment of distress loan                                                                        |
| CIA/13/10 | 10/07/2013         | Telecommunications Levy - 2013                                                                  |
| CIA/13/11 | 25/07/2013         | Delegation of authorities for revenue collection                                                |
| CIA/13/12 | 28/08/2013         | Reports submitted by Auditor General's Department                                               |
| CIA/13/13 | 03/09/2013         | Payment of Festival Advance – 2013                                                              |
| CIA/13/14 | 08/11/2013         | Checking of reconciliation statements sent by operators on Telecommunication Levy and Cess Fees |
| CIA/13/15 | 04/12/2013         | Reports submitted by Auditor General's Department                                               |

**Overview**

The Finance Division involves with the monetary functions of the Commission. Collection of revenue and the optimum usage of such funds by way of proper investment are key highlighters. Maintenance of proper records is also the responsibility of this Division which is to be submitted to the Auditor General to determine the accuracy and completeness of the transactions and to ensure that all financial policies are in conformity with the Generally Accepted Accounting Principles and the Accounting Standards published by the Institute of Chartered Accountants of Sri Lanka and financial procedures are compliant with the Financial Regulations of the Government.

The functions of Finance Division include not only recording of historical data in the Financial Statements but other areas such as financial administration, cost control, project evaluation, development planning, and participating in strategic decision making effectively and efficiently are also important functions of the Division. The Financial Statements for the year 2013 are annexed to this report.

**13.1 Functions**

- Reporting financial results, variation with budget/forecast and reasons for same
- Preparation of the annual budget/forecast
- Establishing and maintaining internal control system
- Maintaining records of all Fixed Assets and ensuring the security and optimum usage of same.
- Guiding and assisting the top management in implementing the Capital and Recurrent expenditure programmes.
- Tax planning and compliance with relevant statutory authorities.
- Reviewing and analyzing periodic operational and financial reports such as Auditor's Reports and Audit Committee Reports and taking corrective/appropriate action to rectify deviations, if any.
- Ensuring and following up prompt collection of different levies imposed by the Government and Act of Parliament.
- Ensuring the prompt and due remittance of the funds collected to the Government Treasury.
- Ensuring the Optimum usage of the excess funds, if any by way of low risk, high return investment for the development of the industry.

- Preparing quarterly and annual Financial Statements of the Commission.
- Maintaining statistical records of Revenue, Expenditure, Assets and Liabilities and providing information to the top management as and when requested.

## 13.2 Performance

### 13.2.1 Revenue

The statutory power to earn and collect the revenue of the Commission is vested by the Sri Lanka Telecommunications Act No. 25 of 1991 as amended by the Sri Lanka Telecommunications Act No. 27 of 1996.

The Commission earns and collects Revenue by way of Radio Frequency License Fees, Cess Fees , System Operator License Fees , Vendor Licence Fees and other related fees and levies from Public Switched Telephone Network (PSTN) operators and Radio Frequency users. Furthermore, the Commission's Revenue has been increasing year by year which is highlighted below.

**Revenue of the Commission ,2012-2013** *Table 13.1*

| Source of Income                                                                                      | 2013<br>(Rs. '000)  | 2012<br>(Rs. '000) |
|-------------------------------------------------------------------------------------------------------|---------------------|--------------------|
| System Operator Licence Fees                                                                          | 2,060,743           | 1,418,318          |
| Cess Fees                                                                                             | 3,500,556           | 3,514,976          |
| Radio Frequency Licence Fees                                                                          | 8,226,963           | 6,532,361          |
| Frequency Upfront Fees                                                                                | 5,661,039           | 367,347            |
| Vendors Licence Fees                                                                                  | 12,464              | 8,800              |
| Amateur Radio Licence Fees                                                                            | 91                  | 94                 |
| Ship Station Licence Fees                                                                             | 696                 | 260                |
| Aircraft Licence Fees                                                                                 | 170                 | 405                |
| Cordless Phone Dealer Charges                                                                         | 24,911              | 20,055             |
| Examination Fees                                                                                      | 4                   | 12                 |
| Application Processing Fees                                                                           | 1,633               | 7,143              |
| Short Code Charges                                                                                    | 8,163               | 6,122              |
| Sundry Income (Interest income from Fixed Deposits /REPO*/ Money Market Transaction/Staff loans etc.) | 1,991,029           | 823,950            |
| <b>Total</b>                                                                                          | <b>21,488,458.4</b> | <b>12,699,843</b>  |
| Less: Nation Building Tax                                                                             | (421,995.0)         | (227,945)          |
| <b>Total</b>                                                                                          | <b>21,066,463.4</b> | <b>12,471,898</b>  |

*\*REPO is a repurchase Agreement.*

From table 13.1 it can be seen that the revenue of the Commission (after making Nation Building Tax payment) has increased by 68.9 percent per cent from Rs. 12.5 billion in 2012 to Rs. 21 billion in 2013. In both years the highest contribution to the income of the Commission has been from Radio Frequency Licence Fee and it has increased by 26 per cent from 2012 to 2013. Frequency Upfront Fee has increased precipitously by 1441 per cent from 2012 to 2013 and this was due to auctioning of frequencies in 2013.

Having abolished VAT (Value Added Tax), MSL ( Mobile & fixed Subscribers Levy), and ECL (Environment Conservation Levy), the Government imposed a Telecommunication Levy of 20% on telecommunication services provided by the PSTN operators. Further, a 2% CESS fee was introduced by the Government on the annual Gross Turnover of the Operators.

In addition to the above income, in terms of Finance Act No. 11 of 2004 as amended by the Finance Act No. 13 of 2009, the Commission collected the International Telecommunication Operators' Levy of US \$ 0.30 per minute as a TDC (Telecommunication Development Charge) for the purpose of development of telecommunication industry in the Country and a levy of Rs. 2.00 per minute from incoming and outgoing international calls respectively from International Telecommunication Operators. Tables 13.2 and 13.3 give the information on Telecommunication Levy and International Telecommunication Operators Levy for the years 2012 and 2013.

**Telecommunication Levy (Rs.'000), 2012-2013** Table 13.2

| Source of Income       | 2013       | 2012       |
|------------------------|------------|------------|
| Telecommunication Levy | 18,449,721 | 17,263,324 |

**International Telecommunication Operators Levy (Rs.'000) , 2012-2013** Table 13.3

| Source of Income                      | 2013      | 2012      |
|---------------------------------------|-----------|-----------|
| Telecommunication Development Charges | 7,239,709 | 6,613,131 |
| Levy on Outgoing Local Access Charges | 1,994,855 | 2,016,899 |

### 13.2.2 Remittance to the Consolidated Fund

In the year 2013, Rs. 35.1 billion was remitted to the Consolidated Fund by the Commission and it was Rs. 37.5 in year 2012. Although there has been a slight decrease in the amount of remittance in 2013, the TRCSL has continuously made substantial contributions to the Government revenue in the past few years. The annual contribution from the TRCSL to the Government revenue stands high when compared with that from many other state owned enterprises.

### 13.2.3 Property, Plant & Equipment

Rs. 300 million and Rs.17.5 million were spent for the Landmark Lotus Tower project and further improvement/construction of the Kokavil Tower respectively, out of the total sum of Rs. 447.7 million which was incurred in respect of capital expenditure for Property, Plant and Equipment during the year under reference.

### 13.2.4 Investment

The Commission invested a sum of Rs.15.83 billion in Fixed deposits in Peoples Bank. In addition, the Commission maintained Money Market Daily Transaction account with People's Bank and earned Rs. 55.20 million interest income through such money market transactions during the year 2013

# FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

**TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**  
**STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2013**  
*(Expressed in Sri Lanka Rupees)*

|                                                       | NOTES | 31.12.2013            | 31.12.2012           |
|-------------------------------------------------------|-------|-----------------------|----------------------|
| <b>ASSETS</b>                                         |       |                       |                      |
| NON-CURRENT ASSETS                                    |       |                       |                      |
| PROPERTY, PLANT & EQUIPMENT                           | 4     | 2,444,056,716         | 2,077,020,071        |
| WORK IN PROGRESS                                      | 5     | 4,843,082,281         | 2,053,278,670        |
| INVESTMENTS                                           | 6     | 17,776,135,000        | 2,566,137,811        |
| MOBILIZATION ADVANCE PAYMENT<br>-(LOTUS TOWER)        |       | 1,597,943,972         | 0                    |
| <b>TOTAL NON-CURRENT ASSETS</b>                       |       | <b>26,661,217,969</b> | <b>6,696,436,552</b> |
| CURRENT ASSETS                                        |       |                       |                      |
| Government Securities under Re-<br>Purchase Agreement |       | 1,114,000,000         | 7,039,684,939        |
| Accounts Receivable                                   | 7     | 1,291,671,609         | 1,476,877,387        |
| Other Receivables                                     |       | 640,000               | 890,000              |
| Distress Loans                                        |       | 23,500,693            | 16,927,119           |
| Pre Payments                                          |       | 108,000               | 927,261              |
| Special Advances                                      |       | 575                   | 575                  |
| Festival Advances                                     |       | 125,258               | 130,258              |
| Motor Vehicle Loans                                   |       | 40,495,317            | 50,311,034           |
| Housing Loans                                         |       | 4,163,507             | 4,642,847            |
| Motor Cycle Loans                                     |       | 563,026               | 926,585              |
| VAT Control Account                                   |       | 142,663,074           | 140,432,740          |
| Purchase Advances                                     |       | 137,140               | 122,140              |
| Outstanding Staff Loans<br>Recoverable                |       | 2,461,764             | 2,461,764            |
| Air Ticket Receivable                                 |       | 0                     | 516,790              |
| Air Ticket Receivable - SAFIR                         |       | 0                     | 1,930                |
| Salary Deduction Recoverable                          |       | 31,057                | 12,987               |
| Interest Receivable on Fixed<br>Deposits              |       | 1,001,718,707         | 100,440,927          |
| Commissioner General of Inland<br>Revenue (WHT)       |       | 84,154,187            | 1,289,954            |
| Claimable Economic Service<br>Charges                 |       | 41,372,701            | 16,980,862           |
| TDC Receivable                                        |       | 1,136,598,307         | 1,295,355,335        |
| Levy on OLAC Receivable                               |       | 168,544,617           | 334,255,272          |
| Telecom. Levy Receivables                             |       | 1,719,984,922         | 1,524,622,591        |
| Cash at banks                                         | 8     | (805,872,890)         | 332,648,145          |



**TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**  
**STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2013**  
*(Expressed in Sri Lanka Rupees) (Contd...)*

|                                                      |           |                |                |
|------------------------------------------------------|-----------|----------------|----------------|
| Cash in hand                                         | <b>8B</b> | 49,795,615     | 56,197         |
| TOTAL CURRENT ASSETS                                 |           | 6,016,857,186  | 12,340,515,638 |
| TOTAL ASSETS                                         |           | 32,678,075,155 | 19,036,952,190 |
| EQUITY AND LIABILITIES                               |           |                |                |
| EQUITY                                               |           |                |                |
| Government Contributions via                         |           |                |                |
| - World Bank Credit Agreement                        |           | 298,572,434    | 298,572,434    |
| - United Nations Development Program                 |           | 19,533,906     | 19,533,906     |
| Other Government Contributions                       |           | 208,108,404    | 208,108,404    |
| Accumulated Surplus                                  |           | 21,056,069,244 | 8,635,122,294  |
| Revaluation Surplus                                  |           | 53,580,000     | 53,580,000     |
| TOTAL EQUITY                                         |           | 21,635,863,988 | 9,214,917,038  |
| NON-CURRENT LIABILITIES                              |           |                |                |
| International Telecommunications Operators Levy Fund | <b>9A</b> | 1,383,168,816  | 4,094,658,010  |
| Project Loan - Exim Bank (Lotus Tower)               |           | 2,694,595,160  | 0              |
| Retention - Lotus Tower                              |           | 349,843,107    | 0              |
| TOTAL NON-CURRENT LIABILITIES                        |           | 4,427,607,084  | 4,094,658,010  |
| CURRENT LIABILITIES                                  |           |                |                |
| Accounts Payable                                     | <b>9</b>  | 211,504,171    | 53,939,097     |
| Deferred Income (Grant)                              |           | 55,541         | 111,083        |
| Miscellaneous Creditors                              |           | 0              | 172,750        |
| Projects Payable                                     |           | 51,390,725     | 59,061,792     |
| Provision for Income Tax                             |           | 427,429,305    | 228,253,039    |
| C.T.O Telecenter Project Payables                    |           | 924,492        | 924,492        |
| Construction Creditors                               |           | 751,650        | 751,650        |
| Revenue Received in Advance                          |           | 3,381,768,907  | 2,786,337,939  |
| Refundable Deposits for Tender                       |           | 1,443,774      | 1,298,774      |
| Refundable Deposits -Employees                       |           | 2,086,843      | 2,086,843      |
| Advances Received for 1800 MHz Band                  |           | 57,500,000     | 57,500,000     |
| Provision for Gratuity                               |           | 21,832,077     | 11,632,109     |
| ICT for Effective Disaster Management Summit         |           | 34,210         | 34,210         |
| Ins.claim for damaged Antenna                        |           | 25             | 0              |
| 50% TDC Payable to Treasury                          |           | 568,299,153    | 652,745,143    |

**TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**

**STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2013**

*(Expressed in Sri Lanka Rupees) (Contd...)*

|                                         |                       |                       |
|-----------------------------------------|-----------------------|-----------------------|
| Levy on OLAC Payable to Treasury        | 168,549,617           | 334,255,272           |
| Telecom . Levy Payable to Treasury      | 1,721,032,594         | 1,536,326,947         |
| Subscribers Levy Payable to Treasury    | 1,000                 | 0                     |
| Construction of PSTN Cubicles - Kokavil | 0                     | 1,937,438             |
| Unclaimed Employees Benefit             | 0                     | 8,567                 |
| <b>TOTAL CURRENT LIABILITIES</b>        | <b>6,614,604,083</b>  | <b>5,727,377,143</b>  |
| <b>TOTAL LIABILITIES</b>                | <b>11,042,211,167</b> | <b>9,822,035,153</b>  |
| <b>TOTAL EQUITY AND LIABILITIES</b>     | <b>32,678,075,155</b> | <b>19,036,952,191</b> |

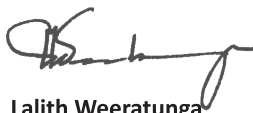
The accounting policies and notes to the financial statements from page 07 to 22 form an integral part of the financial statements. I certify that the financial statements of the Commission give a true and fair view of the state of affairs as at 31st December 2013 and its surplus for the period then ending.



**M. K. Jayantha**

Director (Finance)

The Commission are responsible for the preparation and presentaion of these financial statements. approved and signed for and on behalf of the Commission.



**Lalith Weeratunga**

Chairman



**Anusha Palpita**

Director General

**TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
*(Expressed in Sri Lanka Rupees)*

|                                                                                         | NOTES | 31.12.2013            | 31.12.2012            |
|-----------------------------------------------------------------------------------------|-------|-----------------------|-----------------------|
| <b>Revenue</b>                                                                          |       |                       |                       |
| Income                                                                                  | 10    | 21,066,462,563        | 12,471,897,357        |
| Telecommunications Levy                                                                 |       | 18,449,721,208        | 17,263,323,924        |
| Telecom Development Charges                                                             | 10B   | 7,239,709,188         | 6,613,130,847         |
| Levy on Out Going Local Access Charges                                                  |       | 1,994,854,968         | 2,016,899,365         |
| <b>Total Operating Income</b>                                                           |       | <b>48,750,747,927</b> | <b>38,365,251,493</b> |
| Less: Regulatory Expenses                                                               | 11    | (870,579,295)         | (272,988,566)         |
| <b>Net Total Operating Income</b>                                                       |       | <b>47,880,168,632</b> | <b>38,092,262,927</b> |
| <b>Less : Other Expenses</b>                                                            |       |                       |                       |
| Administration & Establishment                                                          | 12    | 424,785,476           | 368,473,770           |
| Repairs & Maintenance                                                                   | 13    | 33,766,609            | 40,078,606            |
| Finance & Others                                                                        | 14    | 284,369               | 4,533,860             |
| Provision For Bad Debtors                                                               |       | 83,367,539            | 5,783,816             |
| Under / (Over) Provision                                                                | 15    | (27,523,249)          | 0                     |
| (Gain) / Loss on Foreign Currency Transactions                                          |       | (1,788,673)           | (7,619,806)           |
| <b>Total Expenditure</b>                                                                |       | <b>512,892,071</b>    | <b>411,250,246</b>    |
| <b>Profit for the Year from Continuing Operations</b>                                   |       | <b>47,367,276,561</b> | <b>37,681,012,681</b> |
| <b>Before Income Tax</b>                                                                |       |                       |                       |
| Less: Income Tax                                                                        |       | (429,396,238)         | (230,219,972)         |
| <b>Profit for the Year from Continuing Operations</b>                                   |       | <b>46,937,880,323</b> | <b>37,450,792,709</b> |
| <b>After Income Tax</b>                                                                 |       |                       |                       |
| <b>Other Comprehensive Income</b>                                                       |       |                       |                       |
| Gain/(Loss) on Gratuity Provision                                                       |       | (7,679,480)           | 14,763,118            |
| <b>Total Other Comprehensive Income for the Year</b>                                    |       | <b>(7,679,480)</b>    | <b>14,763,118</b>     |
| <b>Total Comprehensive Income for the Year After Tax</b>                                |       | <b>46,930,200,843</b> | <b>37,465,555,827</b> |
| Less: Contribution to the Consolidated Fund                                             | 16    | (34,509,253,893)      | (32,471,748,152)      |
| <b>Total Comprehensive Income for the Year after Contributing the Consolidated Fund</b> |       | <b>12,420,946,950</b> | <b>4,996,804,834</b>  |
| <b>Add:</b>                                                                             |       |                       |                       |

**TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
*(Expressed in Sri Lanka Rupees) (Contd...)*

|                                                                    |  |                       |                       |
|--------------------------------------------------------------------|--|-----------------------|-----------------------|
| <b>Total Comprehensive Income Brought Forward</b>                  |  | <b>8,635,122,294</b>  | <b>3,638,317,460</b>  |
| <b>Total Comprehensive Income Carried Forward</b>                  |  | <b>21,056,069,244</b> | <b>8,635,122,294</b>  |
| <b>Note :</b>                                                      |  |                       |                       |
| <b>Total contribution to the Consolidated Fund</b>                 |  |                       |                       |
| <b>From Comprehensive Income</b>                                   |  | 34,509,253,893        | 32,471,748,152        |
| <b>From International Telecommunications Operators Levy Fund</b>   |  | 611,455,256           | 5,000,000,000         |
| <b>Total Contribution to the Consolidated Fund during the Year</b> |  | <b>35,120,709,149</b> | <b>37,471,748,152</b> |
|                                                                    |  |                       |                       |

**TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
*(Expressed in Sri Lanka Rupees)*

|                                                    |  | <b>2013</b>           | <b>2012</b>           |
|----------------------------------------------------|--|-----------------------|-----------------------|
| <b>Cash flows from operating activities</b>        |  |                       |                       |
| Profit from continuing operation before income tax |  | <b>47,367,276,561</b> | <b>37,681,012,681</b> |
| Adjustments for                                    |  |                       |                       |
| Depreciation on Property, Plant and Equipment      |  | 80,667,822            | 67,981,271            |
| Provision for Bad & Doubtful Debtors               |  | 83,367,539            | 5,783,816             |
| Gratuity                                           |  | 1,711,791             | 918,592               |
| (Gain) / Loss on Foreign Currency Transactions     |  | (1,788,673)           | (7,619,806)           |
| Gain on Damaged Antenna FEES Project               |  | 0                     | 2,780,848             |
| Interest on Gratuity Provision                     |  | 0                     | 180,000               |
| Gain / (Loss) on Disposal of Fixed Asset           |  | (447,950)             |                       |
| Expenses for Kokavil Project                       |  | 0                     | (1,302,616)           |
| Overstated Interest Income from Fixed Deposit      |  | 0                     | (7,103)               |
|                                                    |  | <b>163,510,529</b>    | <b>68,715,002</b>     |

**TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**

**CASH FLOW STATEMENT**

**FOR THE YEAR ENDED DECEMBER 31, 2013**

*(Expressed in Sri Lanka Rupees) (Contd...)*

|                                                                           |                |                |
|---------------------------------------------------------------------------|----------------|----------------|
| <b>Profit from continuing operation before working capital changes</b>    | 47,530,787,090 | 37,749,727,683 |
| <b>Changes in Working Capital (Increase)/Increase in Operating Assets</b> |                |                |
| Decrease in Accounts Receivable                                           | 101,838,239    | 189,210,540    |
| Decrease in Other Receivables                                             | 250,001        | (280,000)      |
| Increase in Distress Loans                                                | (6,573,574)    | 4,271,088      |
| Decrease in Pre Payments                                                  | 819,261        | (406,241)      |
| Special Advances                                                          | 0              | (575)          |
| Decrease in Festival Advances                                             | 5,000          | 7,000          |
| Decrease un Motor Vehicle Loans                                           | 9,815,717      | 5,117,648      |
| Decrease in Housing Loans                                                 | 479,340        | 1,057,362      |
| Decrease in Motor Cycle Loans                                             | 363,559        | 334,769        |
| Increase in VAT Control Account                                           | (2,230,334)    | (76,023,930)   |
| In crease in Purchase Advances                                            | (15,000)       | 86,644         |
| Outstanding Staff Loans Recoverable                                       | 0              | 44,291         |
| Decrease in Air Ticket Receivable - SAFIR                                 | 1,930          | (1,930)        |
| Ari Ticket Receivable - APO                                               | 0              | 0              |
| Increase in Salary Deduction Recoverable                                  | (18,070)       | 12,600         |
| Increase in Interest Receivable on Fixed Deposits                         | (899,907,518)  | (52,694,391)   |
| Increase in Commissioner General of Inland Revenue (WHT)                  | (82,864,233)   | (568,757)      |
| Increase in Claimable Economic Service Charges                            | (24,391,839)   | (5,827,266)    |
| Derease in TDC Receivable                                                 | 158,757,028    | (799,034,941)  |
| Decrease in IDD Receivables                                               | 165,710,655    | (185,440,162)  |
| Increase in Telecom. Levy Receivables                                     | (195,362,331)  | (106,559,985)  |
| <b>Increase/(Decrease) in Operating Liability</b>                         |                |                |
| Increase in Accounts Payable                                              | 157,565,074    | 10,142,348     |
| Outstanding Staff Loan Recoveries                                         | 0              | (1,175)        |
| Over Recoveries of Special Advance                                        | 0              | (4,175)        |
| Derease in Deferred Income (Grant)                                        | (55,542)       | (55,541)       |

**TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**

**CASH FLOW STATEMENT**

**FOR THE YEAR ENDED DECEMBER 31, 2013**

*(Expressed in Sri Lanka Rupees) (Contd...)*

|                                                              |                       |                       |
|--------------------------------------------------------------|-----------------------|-----------------------|
| Decrease in Miscellaneous Creditors                          | (172,750)             | 172,750               |
| Decrease in Projects Payable                                 | (7,671,067)           | 59,061,792            |
| VAT Control Account                                          | 0                     | 0                     |
| C.T.O Telecenter Project Payables                            | (0)                   | 0                     |
| Construction Creditors                                       | 0                     | 0                     |
| Increase in Revenue Received in Advance                      | 595,430,968           | (112,329,169)         |
| Increase in Refundable Deposits for Tender                   | 145,000               | 125,642               |
| Refundable Deposits -Employees                               | (0)                   | 0                     |
| Advances Received for 1800 MHz Band                          | 0                     | 0                     |
| ICT for Effective Disaster Management Summit                 | (0)                   | 0                     |
| Increase in Ins.claim for damaged Antenna                    | 25                    | 0                     |
| Decrease in 50% TDC Payable to Treasury                      | (84,445,990)          | 404,584,946           |
| Decrease in IDD Payable to Treasury                          | (165,705,655)         | 156,113,071           |
| Increase in Telecom . Levy Payable to Treasury               | 184,705,645           | 116,185,127           |
| Increase in Subscribers Levy Payable to Treasury             | 1,000                 | (75,335)              |
| Inrease in Environment Conservation Levy Payable to Treasury | 0                     | (423,942)             |
| Decrease in Construction of PSTN Cubicles - Kokavil          | (1,937,438)           | (2,198,463)           |
| Decrease in Unclaimed Employees Benefit                      | (8,567)               | (46,814)              |
|                                                              | <b>(94,954,677)</b>   | <b>(397,769,892)</b>  |
| Gratuity paid                                                | (561,565)             | (707,367)             |
| Income Tax paid                                              | (230,219,972)         | 0                     |
| Gain or Loss in Garatuity Provision                          | 0                     | 0                     |
| Provision for Interest on Deposit (Gratuity)                 | 0                     | 0                     |
|                                                              | <b>(230,781,537)</b>  | <b>(707,367)</b>      |
| <b>Net Cash Generated Through Operating Activities</b>       | <b>47,205,050,876</b> | <b>37,351,250,424</b> |



**TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**

**CASH FLOW STATEMENT**

**FOR THE YEAR ENDED DECEMBER 31, 2013**

*(Expressed in Sri Lanka Rupees) (Contd...)*

|                                                                               |                  |                  |
|-------------------------------------------------------------------------------|------------------|------------------|
| <b>Cash flow from investing activities</b>                                    |                  |                  |
| Purchases of Lands - Lotus Tower                                              | (300,000,000)    | (1,515,212,127)  |
| Renovation of Building                                                        | (3,543,122)      | (5,810,198)      |
| Purchahses of Computers                                                       | (1,082,717)      | (8,237,227)      |
| Purchases of Other Office Equipment                                           | (1,361,217)      | (5,556,730)      |
| Purchases of Mobile Phones                                                    | (60,690)         | (22,824)         |
| Purchahses of Office Furniture                                                | (4,565,532)      | (1,062,380)      |
| Purchases of Vehicles                                                         | (108,194,002)    | 0                |
| Purchases of Technical Equipments                                             | (3,478,013)      | 0                |
| Purchases of Vedio Unit Equipments                                            | 0                | (2,748,760)      |
| Purchases of Gymnasium Equipments                                             | (5,577,307)      | 0                |
| Purchases of Air Condition                                                    | (2,312,173)      | (416,159)        |
| Construction of Kokavil Tower                                                 | (17,529,694)     | (33,837,013)     |
| Sales of fixed assets                                                         | 447,950          | 4,898,410        |
| Working Progress                                                              | (2,789,803,611)  | (2,053,278,670)  |
| Surplus Fund Remitted to Consolidated Fund                                    | (34,509,253,893) | (32,471,748,152) |
| Investments in Government Securities Under Re-purchahse Agreement             | (70,957,061,353) | (32,928,706,280) |
| Maturities of Government Securities Under Re-purchase Agreement               | 76,882,746,292   | 28,923,676,136   |
| Fixed Deposit                                                                 | (15,821,452,445) | (1,459,149,515)  |
| State Institution's Temp. Surplus Trust Fund-1                                | 302,801,760      | 4,547,420,950    |
| State Institution's Temp. Surplus Trust Fund-2                                | 308,653,496      | 1,758,206,256    |
| Mobilization Advance Payment - (Lotus Tower)                                  | (1,597,943,972)  |                  |
| International Telecommunications Operators Levy Fund                          | (2,100,033,937)  | 3,088,632,711    |
| Project Loan - Exim Bank (Lotus Tower)                                        | 2,694,595,160    |                  |
| Retention - Lotus Tower                                                       | 349,843,107      |                  |
| International Telecommunications Operators Levy Fund Remitted to the Treasury | (611,455,256)    | (5,000,000,000)  |

**TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**

**CASH FLOW STATEMENT**

**FOR THE YEAR ENDED DECEMBER 31, 2013**

*(Expressed in Sri Lanka Rupees) (Contd...)*

|                                                             |  |                         |                         |
|-------------------------------------------------------------|--|-------------------------|-------------------------|
| <b>Net cash flow in investing activities</b>                |  | <b>(48,295,621,170)</b> | <b>(37,162,951,572)</b> |
| <b>Net cash flow in financing activities</b>                |  | <b>Nil</b>              | <b>Nil</b>              |
| <b>Net Increase in cash and cash equivalents</b>            |  | <b>(1,090,570,290)</b>  | <b>188,298,851</b>      |
| <b>Analysis of cash and cash equivalents</b>                |  |                         |                         |
| Cash and cash equivalent at beginning of the period         |  |                         |                         |
| Cash at bank                                                |  | 332,648,145             | 136,059,478             |
| Cash in hand                                                |  | 56,197                  | 96,207                  |
|                                                             |  | <b>332,704,342</b>      | <b>136,155,685</b>      |
| Cash and cash equivalent at end of the period               |  |                         |                         |
| Cash at bank                                                |  | (805,872,890)           | 332,648,145             |
| Cash in hand                                                |  | 49,795,615              | 56,197                  |
|                                                             |  | <b>(756,077,275)</b>    | <b>332,704,342</b>      |
| Change in cash and cash equivalent during the period        |  | <b>(1,088,781,617)</b>  | <b>196,548,657</b>      |
| Effect of exchange rate change                              |  | (1,788,673)             | (7,619,806)             |
| <b>Change in cash and cash equivalent during the period</b> |  | <b>(1,090,570,290)</b>  | <b>188,928,851</b>      |

**TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED DECEMBER 31, 2013**

*(Expressed in Thousands of Sri Lanka Rupees)*

|                                                                  | <b>Government Contributions</b> | <b>Revaluation Surplus</b> | <b>Accumulated Surplus / (Deficits)</b> | <b>Total Equity</b> |
|------------------------------------------------------------------|---------------------------------|----------------------------|-----------------------------------------|---------------------|
| Balance at 01st January 2012                                     | 526,214,744                     | 53,580,000                 | 3,638,317,460                           | 4,218,112,204       |
| Total Comprehensive Income for the Year Ended 31st December 2012 | -                               | -                          | 4,996,804,834                           | 4,996,804,834       |
| Restated                                                         |                                 |                            |                                         |                     |
| Balance at 31st December 2012                                    | 526,214,744                     | 53,580,000                 | 8,635,122,294                           | 9,214,917,038       |

**TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**  
*(Expressed in Thousands of Sri Lanka Rupees) (Contd...)*

|                                                                  |             |            |                |                |
|------------------------------------------------------------------|-------------|------------|----------------|----------------|
| Balance at 01st January 2013                                     | 526,214,744 | 53,580,000 | 8,635,122,294  | 9,214,917,038  |
| Total Comprehensive Income for the Year Ended 31st December 2013 | -           | -          | 12,420,946,950 | 12,420,946,950 |
| Balance at 31st December 2013                                    | 526,214,744 | 53,580,000 | 21,056,069,244 | 21,635,863,988 |

**TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**  
**NOTES TO THE FINANCIAL STATEMENTS – 31.12.2013**

(In the notes all amounts are shown in Sri Lanka Rupees unless otherwise stated)

**GENERAL INFORMATION**

Telecommunications Regulatory Commission of Sri Lanka is an Independent Body and established under the Sri Lanka Telecommunication Act, No. 25 of 1991 as amended by the Sri Lanka Telecommunications Amendment Act, No. 27 of 1996 to regulate the telecommunication sector.

The registered office of the Commission is located at No.276, Elvitigala Mawatha, Colombo 8.

**BASIS OF PREPARATION**

The Commission prepares its financial statements in accordance with the Sri Lanka Accounting Standards ("SLFRS") issued by the Institute of Chartered Accountants of Sri Lanka and the requirements 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 1st January 2012.

**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 the years presented , unless otherwise stated.

**Basis of preparation**

The Financial Statements of TRCSL have been prepared in accordance with Sri Lanka Reporting Standards (SLFRS). The financial statements have been prepared under the historical cost convention. No adjustment has been made for inflationary factors affecting these Accounts.

**Post Balance Sheet Events**

All material events occurring after the Balance Sheet date has been considered and where necessary, appropriate adjustments have been made in the accounts.

**Foreign Currency Conversion**

All foreign currency transactions are converted at the rate of exchange prevailing at the time the transactions were effected. Assets and Liabilities in foreign currencies are translated at the rates of exchange prevailing at the Balance Sheet date. The resulting gains and losses are dealt within the Income and Expenditure Account.

## **Assets and the bases of their valuation**

### **Property, Plant and Equipment Cost**

All the Property, Plant and Equipment are stated at cost less accumulated depreciation or impairment loss. The cost of property, plant and equipment comprises its purchase price and any directly attributable cost of bring the asset to working condition for its intended use.

Subsequent cost incurred for the purpose of acquiring, extending or improving assets of a permanent nature in order to carry on or flow future economic benefits associated with the item to the Commission has been treated as capital expenditure. The carrying amounts of replaced parts are derecognized. All other repairs and maintenance are charged to the comprehensive income during the financial period in which they are incurred.

The fully depreciated vehicles of the Commission have been revalued and taken in to books of account of the Commission in 2010. All together 28 vehicles of the Commission have been revalued to Rs. 53,580,000/- and the depreciation for revalued vehicles has been provided at the rate of 12.5% for the year ended 31.12.2010.

Property, Plant and Equipment acquired under the International Development Association Credit Agreement have been capitalized.

We have identified some PPE with zero book value, ie, fully depreciated Fixed Assets which are still in use. A revaluation will be done in the future through a registered valuer and the PPE with zero book value will be adjusted accordingly.

### **Depreciation**

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

| <b>Estimated Useful Lives of PPE</b> |               |
|--------------------------------------|---------------|
| Buildings                            | Over 20 Years |
| Telecommunication Towers             | Over 10 Years |
| Furniture & Fittings                 | Over 10 Years |
| Office Equipment                     | Over 10 Years |
| Computers                            | Over 04 Years |
| Motor Vehicles                       | Over 08 Years |
| Generators                           | Over 10 Years |
| Office Telephones                    | Over 10 Years |
| Office Furniture                     | Over 10 Years |
| Technical Equipment                  | Over 10 Years |
| FMMS Equipment                       | Over 10 Years |
| Mobile Surveillance Vehicles         | Over 08 Years |

Full provision is made in the year of purchase and none in the year of disposal. An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use. Any gain or losses on de-recognition of the assets is included in the Statement of Comprehensive Income in the year the asset is de-recognized.

### **3.2.2. Investments**

Investments include fixed deposits and treasury bills under Re-purchase agreements which are held for less than three months. These investments are stated at cost plus accrued interest up to the year end.

### **3.2.3. Accounts Receivable**

Accounts receivable are recognized and carried at original invoice amount and any allowance for any uncollectible amounts.. An estimate for doubtful receivables is made when collection of the full amount is no longer probable.

### **3.2.4 Cash and Cash Equivalents**

Cash and cash equivalents comprise cash in hand and deposits at bank.

TRCSL had to remit Rs. 1,000Mn. out of its own fund to the General Treasury on 31st December 2013 upon their request. Having failed to do a RTGS transfer since it was after the banking hours, Rs. 1,000 Million cheque was issued in favour of “ Deputy Secretary to the Treasury”. Due to the aforesaid transaction only the Cash Book balance of Current Account No. 119-1001-43693169 became negative by Rs.877,263,723.88, but the Bank Balance was Rs.739,769.74.as at the end of the financial year.

### **LIABILITIES AND PROVISIONS:**

All material liabilities as at the balance sheet date are included in the financial statements and adequate provision has been made for liabilities which are known to exist but the amount of which cannot be determined accurately.

Obligation payable on demand or within one year of the statement of financial position date are treated as current liabilities in the statement of financial position. Liabilities payable after one year from the statement of financial position date are treated as non-current liabilities in the statement of financial position.

### **Capital Commitment and Contingencies**

Capital expenditure commitments and contingent liabilities as at the date of the balance sheet have been disclosed in the notes to the accounts.

### **International Development Association**

Funds received under the IDA credit agreement has been accounted according to the Capital Approach as per the Sri Lanka Accounting Standards LKAS 20 – Accounting for Government Grants and Disclosure of Government Assistance.

### **Employee Benefit**

#### **Provision for Retiring Gratuity**

The Commission has adopted the benefit plan as required under the payment of Gratuity Act, No.12 of 1983 for all eligible employees. The benefit plan is unfunded. Defined benefit plan define an amount of benefit that an employee will receive on retirement.

The liability recognized in the statement of financial position in respect of defined benefit plan is calculated annually by the Commission using the projected unit credit method prescribed in Sri Lanka Accounting Standard – LKAS 19: Employee Benefits.

Gains and losses arising from changes due to over or under provision in the previous year are charged or credited to statement of comprehensive income in the period in which they arise. Gratuity charge for the year is recognized immediately in statement of comprehensive income. The amount equals to the gratuity obligation is invested in fixed deposit by the Commission.

Provision for gratuity is made by the Commission taking account of the following assumptions

Rate of interest - 11.78% per annum

Rate of salary increase - 1.78% - 6.67%

Retirement Age - 60 years

## **The Commission will continue as a going concern**

### **Defined Contribution Plans**

Obligation for contributions to a defined contribution plans are recognized as an expenses in the statement of comprehensive income as incurred.

The Commission contributes a sum not less than 15% and 3% of the gross emoluments of employees to Employees' Provident Fund (EPF) and to the Employees' Trust Fund (ETF) respectively.

### **REVENUE RECOGNITION**

Revenue is recognized on an accrual basis in terms of Sri Lanka Accounting Standard – LKAS 18 Revenue.

#### **3.4.1 Cess Fees is charged as a percentage on Operators' Turnover and being collected after the end of Operators' Financial Year.**

As Financial Year ending dates of Operators and the Commission are different, Cess fees are accounted based on projections prepared as per the available recent information in view to ensure the identification of revenue in the Accounts on accrual basis.

The effect of the change in the above accounting estimate was included in the determination of total income over expenditure. The effect in 2012 is as follows;

| <b>Cess Fees</b> | <b>Estimate Revenue for year 2012</b> | <b>Actual Revenue for year 2012</b> | <b>Effect of or change in accounting estimate</b> |
|------------------|---------------------------------------|-------------------------------------|---------------------------------------------------|
|                  | 598,014,477.25                        | 670,100,648.91                      | 72,086,171.66                                     |

#### **3.4.2 Telecommunication Levy**

Telecommunication Levy received from the telecom operators under the Telecommunication Act, No. 21 of 2011 are recognized as revenue and subsequently remitted to the State Consolidated Fund.

#### **3.4.3 Telecommunication Development Charges**

Telecommunication Development Charges received from the External Gateway Operators under the Part 111 of the Finance Act, No.11 of 2004 are recognized as revenue. 50 percentage of this revenue were subsequently remitted to the State Consolidated Fund.

#### **3.4.4. International Outgoing Call Levy**

International Outgoing Call Levy received from the External Gateway Operators under the Part 111 of the Finance Act, No.11 of 2004 and the Regulations published in Extraordinary Gazette Notification No. 1738/15 dated 29th December 2011 are recognized as revenue and subsequently remitted to the State Consolidated Fund.

#### **3.4.5. Interest Income**

Interest income comprises interest income on funds invested in short-term fixed deposit and short-term Government Securities under Re-purchase agreements. Interest income is recognized as it accrues in gain or loss on the maturity date.

#### **3.4.6. Government Grants**

Grants related to income are recognized in the Income and Expenditure Account in the year in which it is receivable.

#### **3.4.7 Income Taxes**

The Commission is exempt from income tax on its main source of income. An Income Tax expense is only recognized in interest income.

#### **3.4.8 Economic Service Charge (ESC)**

ECS is payable on the liable turnover at specified rates. As per the provision of the Economic Service Charge Act, No. 13 of 2006 and subsequent amendments thereto, ESC is deductible from the income tax liability. Any unclaimed payment can be carried forward and set off against the income tax payable as per the relevant provision in the Act.

### 3.5 EXPENDITURE

Expenses are recognized in the comprehensive income statement on the basis of direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the Commission and in maintaining the capital assets in a state of efficiency has been charged to revenue in arriving at the surplus for the year.

### 3.6 THE COLOMBO LOTUS TOWER

The Telecommunications Regulatory Commission of Sri Lanka ( TRCSL ) has planned to do a construction of 35 meters high multifunctional TV & Telecommunication Tower with Leisure Park in Colombo , known as the “ Colombo Lotus Tower “ following the Cabinet decisions of 27th October 2010 and 14th December 2011 under ref. numbers 10/2473/401/301 and 11/2262/501/026 respectively. The construction of the project also was awarded to the China National Electronics Importers & Exporters Corporation ( CEIEC ) and Aerospace Long March International Trade Co. Ltd ( ALIT ) by the Cabinet.

The cost of the construction is US \$ 104.3 Million and 85% of which is financed by a 14 year loan from the Export – Import Bank of China ( EXIM Bank ) under the Buyers’ Credit loan Agreement No. BLA-201207 signed by TRCSL & EXIM Bank. And the balance 15% of the project cost which is amounted to US \$ 15.645 Million is to be borne by the TRCSL.

### 3.7 CONTINGENCIES

There are 09 cases being heard in courts against TRCSL as at the Balance Sheet date. And two of which are claiming damages amounting to Rs. 47,346,608,000/=

| TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA |                             |                             |                   |                         |                             |
|-------------------------------------------------------|-----------------------------|-----------------------------|-------------------|-------------------------|-----------------------------|
| NOTES TO ACCOUNTS - 31.12.2013                        |                             |                             |                   |                         |                             |
| (Expressed in Sri Lanka Rupees) (Contd...)            |                             |                             |                   |                         |                             |
| 4                                                     | PROPERTY, PLANT & EQUIPMENT | BALANCE AS AT<br>01.01.2013 | For the Year 2013 |                         | BALANCE AS AT<br>31.12.2013 |
|                                                       |                             |                             | ADDITIONS         | DISPOSALS/<br>TRANSFERS |                             |
|                                                       | Lands                       | 148,235,572                 | 0                 | 0                       | 148,235,572                 |
|                                                       | Land Lotus Tower            | 1,515,212,127               | 300,000,000       | 0                       | 1,815,212,127               |
|                                                       | Lease Hold Lands            | 345,502                     | 0                 | 0                       | 345,502                     |
|                                                       | Buildings                   | 147,014,803                 | 3,543,122         | 0                       | 150,557,925                 |
|                                                       | Kokavil Tower               | 296,334,832                 | 17,529,694        | 0                       | 313,864,526                 |
|                                                       | Vauniya Tower               | 29,900,741                  | 0                 | 0                       | 29,900,741                  |
|                                                       | Vehicles                    | 100,782,002                 | 108,194,002       | 0                       | 208,976,004                 |
|                                                       | Air conditioners            | 9,388,732                   | 2,312,173         | 0                       | 11,700,905                  |
|                                                       | Elevators                   | 4,683,848                   | 0                 | 0                       | 4,683,848                   |
|                                                       | Generators                  | 2,665,428                   | 0                 | 0                       | 2,665,428                   |
|                                                       | Computers                   | 58,146,807                  | 1,082,717         | 0                       | 59,229,524                  |
|                                                       | Web Server                  | 2,213,661                   | 0                 | 0                       | 2,213,661                   |
|                                                       | Other Office Equipment      | 23,964,312                  | 1,361,217         | 0                       | 25,325,529                  |
|                                                       | Mobile Phones               | 644,900                     | 60,690            | 0                       | 705,590                     |
|                                                       | Office Furniture            | 12,580,084                  | 4,565,532         | 447,950                 | 16,697,666                  |
|                                                       | Technical Equipment         | 15,601,280                  | 3,478,013         | 0                       | 19,079,293                  |



**TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**
**NOTES TO ACCOUNTS - 31.12.2013**
*(Expressed in Sri Lanka Rupees) (Contd...)*

|                                          |                      |                    |                |                      |
|------------------------------------------|----------------------|--------------------|----------------|----------------------|
| FMMS Project<br>Surveillance<br>Vehicles | 5,800,000            | 0                  | 0              | 5,800,000            |
| FMMS Project<br>Equipment                | 303,819,128          | 0                  | 0              | 303,819,128          |
| Gymnasium<br>Equipment                   | 0                    | 5,577,307          | 0              | 5,577,307            |
| Video Unit<br>Equipment                  | 9,290,235            | 0                  | 0              | 9,290,235            |
|                                          | <b>2,686,623,994</b> | <b>447,704,467</b> | <b>447,950</b> | <b>3,133,880,510</b> |

| DEPRECIATION                             | BALANCE AS<br>AT 01.01.2013<br>(Restated) | For the Year 2013 |                         | BALANCE AS AT<br>31.12.2013 |
|------------------------------------------|-------------------------------------------|-------------------|-------------------------|-----------------------------|
|                                          |                                           | ADDITIONS         | DISPOSALS/<br>TRANSFERS |                             |
| Buildings                                | 91,166,808                                | 7,527,896         | 0                       | 8,694,704                   |
| Kokavil Tower                            | 55,684,282                                | 31,386,452        | 0                       | 87,070,734                  |
| Vauniya Tower                            | 5,980,148                                 | 2,990,074         | 0                       | 8,970,222                   |
| Vehicles                                 | 54,895,551                                | 22,701,540        |                         | 77,597,091                  |
| Air Conditioners                         | 8,035,013                                 | 520,228           | 0                       | 8,555,241                   |
| Elevators                                | 4,683,848                                 | 0                 | 0                       | 4,683,848                   |
| Generators                               | 2,665,428                                 | -1                | 0                       | 2,665,428                   |
| Computers                                | 43,691,876                                | 7,108,060         | 0                       | 50,799,936                  |
| Web Server                               | 2,213,661                                 | 0                 | 0                       | 2,213,661                   |
| Other Office<br>Equipment                | 15,105,919                                | 1,605,292         | 0                       | 16,711,211                  |
| Mobile Phones                            | 397,150                                   | 54,809            | 0                       | 451,959                     |
| Office Furniture                         | 8,610,241                                 | 1,344,481         | 447,950                 | 9,506,772                   |
| Technical<br>Equipment                   | 7,747,369                                 | 1,707,758         | 0                       | 9,455,127                   |
| FMMS Project<br>Surveillance<br>Vehicles | 2,175,000                                 | 725,000           | 0                       | 2,900,000                   |
| FMMS Project<br>Equipment                | 300,089,145                               | 639,654           | 0                       | 300,728,799                 |
| Gymnasium<br>Equipments                  | 0                                         | 1,394,327         | 0                       | 1,394,327                   |
| Video Unit<br>Equipment                  | 6,462,485                                 | 962,250           | 0                       | 7,424,735                   |
|                                          | <b>609,603,922</b>                        | <b>80,667,822</b> | <b>447,950</b>          | <b>689,823,794</b>          |
| <b>NET BOOK VALUE</b>                    | <b>2,077,020,072</b>                      |                   |                         | <b>2,444,056,716</b>        |

**Notes:**

Value of Land of Rs. 148,235,572 includes Rs. 45,000,000 for the Land situated in Kadirana, Negombo. Extent of the Land is 112 Acres Road 01 and P 10.5. Approximately a 50% of the extent of the land has been acquired by the Divisional Secretary of Katana, but the effect of the change of the value due to the acquisition has not been incorporated in accounts.

| TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA |                                            |                             |                      |             |                             |
|-------------------------------------------------------|--------------------------------------------|-----------------------------|----------------------|-------------|-----------------------------|
| NOTES TO ACCOUNTS - 31.12.2013                        |                                            |                             |                      |             |                             |
| (Expressed in Sri Lanka Rupees) (Contd...)            |                                            |                             |                      |             |                             |
| 5                                                     | WORK IN PROGRESS                           | BALANCE AS AT<br>01.01.2013 | For the Year 2013    |             | BALANCE AS AT<br>31.12.2013 |
|                                                       |                                            |                             | ADDITIONS            | (TRANSFERS) |                             |
|                                                       | #REF!                                      |                             | 4,629,298            |             | 4,629,298                   |
|                                                       | Ren. of Entrance Lobby & Main H/O Building |                             | 0                    |             | 0                           |
|                                                       | Construc. of Tower at Vauniya              |                             | 0                    |             | 0                           |
|                                                       | Construc. of Tower at Kokavil              |                             | 0                    |             | 0                           |
|                                                       | Construction of Lotus Tower                | 2,053,278,670               | 2,780,353,203        |             | 4,833,631,873               |
|                                                       | IT Park - Hambantota                       |                             | 4,821,110            |             | 4,821,110                   |
|                                                       | Double Cab - Imported                      |                             | 0                    |             | 0                           |
|                                                       | Renovation of Wash Room                    |                             | 0                    |             | 0                           |
|                                                       |                                            | <b>2,053,278,670</b>        | <b>2,789,803,611</b> | <b>0</b>    | <b>4,843,082,281</b>        |
| TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA |                                            |                             |                      |             |                             |
| NOTES TO ACCOUNTS - 31.12.2013                        |                                            |                             |                      |             |                             |
| (Expressed in Sri Lanka Rupees) (Contd...)            |                                            |                             |                      |             |                             |
| 6                                                     | INVESTMENTS                                |                             | 31.12.2013           |             | 31.12.2012                  |
|                                                       | Treasury Deposits                          |                             | 354,000,000.00       |             | 354,000,000.00              |
|                                                       | Fixed Deposit (Gratuity Provision)         |                             | 11,635,000.00        |             | 23,403,160.00               |
|                                                       | State Institution's Temp. Surplus          |                             | 0.00                 |             | 302,801,760.00              |
|                                                       | Trust Fund-1                               |                             |                      |             |                             |
|                                                       | State Institution's Temp. Surplus          |                             | 0.00                 |             | 308,653,496.00              |
|                                                       | Trust Fund-2                               |                             |                      |             |                             |

**TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**

**NOTES TO ACCOUNTS - 31.12.2013**

(Expressed in Sri Lanka Rupees) (Contd...)

|   |                                        |                          |                         |
|---|----------------------------------------|--------------------------|-------------------------|
|   |                                        | 31.12.2013               | 31.12.2012              |
|   | Fixed Deposit<br>-People's Bank        | 17,410,500,000.00        | 1,577,279,395.00        |
|   |                                        | <b>17,776,135,000.00</b> | <b>2,566,137,811.00</b> |
| 7 | <b>ACCOUNTS<br/>RECEIVABLE</b>         | 31.12.2013               | 31.12.2012              |
|   | <b>TRADE DEBTORS</b>                   |                          |                         |
|   | Radio Frequency<br>Fees                | 1,249,302,980.60         | 1,160,892,851.00        |
|   | Operator Fees                          | 0.00                     | 0.00                    |
|   | Cess Fees                              | 407,757,019.59           | 598,014,477.00          |
|   | Amature Radio<br>Licence Fees          | 29,976.65                | 20,888.00               |
|   |                                        | 1,657,089,976.84         | 1,758,928,216.00        |
|   | Less - Provision for<br>Bad Debtors ** | (365,418,368.00)         | (282,050,829.00)        |
|   |                                        | <b>1,291,671,608.84</b>  | <b>1,476,877,387.00</b> |

| Note:                                      | Debtors                 |        | Provisions            |
|--------------------------------------------|-------------------------|--------|-----------------------|
| <b>Provision for Bad<br/>Debtors</b>       |                         | %      |                       |
| More Than 02 Years                         | 365,234,949.35          | 100.00 | 365,234,949.35        |
| More Than 01 Year Less<br>Than 02 Years    | 1,663,736.09            | 10.00  | 166,373.61            |
| More Than 6 Months &<br>Less Than 01 Year  | 5,851,403.65            | 0.00   | 0.00                  |
| More Than 2 Months &<br>Less Than 6 Months | 1,313,616.05            | 0.00   | 0.00                  |
| More Than 01 Month &<br>Less Than 2 months | 53,960,345.39           | 0.00   | 0.00                  |
| Less Than 01 Month                         | 821,278,928.44          | 0.00   | 0.00                  |
|                                            | <b>1,249,302,978.97</b> |        | <b>365,401,322.96</b> |

**Note:**

**\*\*Operator Fees and Cess Fees are accounted on estimated basis, as to recognize the revenue of the Commission on accrual basis. The amounts so recognized have been shown above as debtors and no provisions have been provided for Bad Debtors with respect to debtors arising on Operators Fees and Cess Fees.**

**TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**

**NOTES TO ACCOUNTS - 31.12.2013**

*(Expressed in Sri Lanka Rupees) (Contd...)*

|           |                                                                                                   | <b>31.12.2013</b>       | <b>31.12.2012</b>       |
|-----------|---------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| <b>8</b>  | <b>CASH AT BANK</b>                                                                               |                         |                         |
|           | People's Bank - Narahenpita Branch,<br>(Deposit Account)<br>A/c NO.119/RFC/SA/USD/0032            | 69,605,498.77           | 66,211,454.00           |
|           | People's Bank - Narahenpita Branch,<br>(Collection Account)<br>Current A/c No.119-1-001-4-3693169 | (877,263,723.88)        | 201,276,102.78          |
|           | People's Bank - Narahenpita Branch, (ITO<br>Levy)<br>Current A/c No. 119-1-001-3-3693264          | 468,631.68              | 57,857,683.00           |
|           | Bank of Ceylon - Narahenpita Branch<br>Current A/c No.2323167                                     | 1,316,703.66            | 7,302,905.00            |
|           |                                                                                                   | <b>(805,872,889.77)</b> | <b>332,648,144.78</b>   |
| <b>8B</b> | <b>CASH IN HAND</b>                                                                               |                         |                         |
|           | Petty Cash - Head Office                                                                          | 10,000.00               | 10,000.00               |
|           | Petty Cash - Kadirana                                                                             | 0.00                    | 5,000.00                |
|           | Petty Cash - Admin & HR Division                                                                  | 5,000.00                | 5,000.00                |
|           | Petty Cash - Kokavil                                                                              | 10,000.00               | 10,000.00               |
|           | Petty Cash - Lotus Tower                                                                          | 25,000.00               | 0.00                    |
|           | Government E-card for Director General                                                            | 0.00                    | 0.00                    |
|           | Money Market Account                                                                              | 49,695,841.90           | 0.00                    |
|           | Cash In Hand (Collection Account)                                                                 | 49,773.00               | 17,630.00               |
|           | Unclaimed Employee Benefits                                                                       | 0.00                    | 8,567.00                |
|           |                                                                                                   | <b>49,795,614.90</b>    | <b>56,197.00</b>        |
| <b>9A</b> | <b>INTERNATIONAL TELECOMMUNICATION<br/>OPERATORS LEVY FUND</b>                                    |                         |                         |
|           | International Telecommunications<br>Operators Levy Fund                                           | 1,994,624,072.52        | 9,094,658,010           |
|           | LESS :Transferred to Consolidated Fund                                                            | (611,455,256.24)        | (5,000,000,000)         |
|           |                                                                                                   | <b>1,383,168,816.28</b> | <b>4,094,658,010.00</b> |
| <b>9B</b> | <b>ACCOUNTS PAYABLE</b>                                                                           |                         |                         |
|           | <b>ACCRUED EXPENSES</b>                                                                           |                         |                         |
|           | Telephone<br>-Office                                                                              | 279,804.36              | 318,418.00              |
|           | Bungalow                                                                                          | 222,000.00              | 38,549.00               |

**TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**

**NOTES TO ACCOUNTS - 31.12.2013**

*(Expressed in Sri Lanka Rupees) (Contd...)*

|                                              | <b>31.12.2013</b>     | <b>31.12.2012</b>    |
|----------------------------------------------|-----------------------|----------------------|
| Salaries Control (Contract Employees)        | 147,782.95            | 1,305,669.00         |
| Salaries Payable                             | 112,884.00            | 112,884.00           |
| W & O.P.Payable                              | 0.00                  | 57,195.00            |
| Electricity                                  | 3,214,596.58          | 3,354,008.00         |
| Water                                        | 1,126.30              | 107,024.00           |
| Janitorial Services                          | 460,639.99            | 822,814.00           |
| Security Services                            | 475,347.80            | 923,396.00           |
| Overtime                                     | 629,190.00            | 474,016.00           |
| E.P.F                                        | 19,545.05             | 257,701.00           |
| E.T.F                                        | 2,344.59              | 30,923.00            |
| Internet                                     | 265,259.49            | 308,418.00           |
| Medical Insurance Claims                     | 269,251.45            | 243,575.00           |
| Staff Welfare                                | 183,514.00            | 259,500.00           |
| News Papers & Notifications                  | 3,349,352.12          | 142,895.00           |
| Audit Fees                                   | 1,193,240.00          | 1,193,240.00         |
| Lease Rental                                 | 0.00                  | 992,244.00           |
| Bonus                                        | 15,841,167.00         | 4,103,990.00         |
| Retention                                    | 617,349.96            | 224,789.00           |
| 2/3 Interest Reimbursement                   | 97,556.92             | 228,595.00           |
| Comm.Gen.IR ( ESC,NBT & Stamp Duty)          | 38,510,973.70         | 28,199,533.00        |
| Salary Deductions                            | 74,514.90             | 69,261.00            |
| Travelling & Subsistence Payable             | 0.00                  | 50,000.00            |
| Repairs & Maintenance Payable                | 7,943,258.58          | 9,145,019.00         |
| Fuel Payable                                 | 10,000.00             | 180,157.00           |
| Printing & Stationery                        | 196,175.00            | 9,600.00             |
| With Holding Tax Payable                     | 0.00                  | 0.00                 |
| Insurance Payable                            | 0.00                  | 150,000.00           |
| Misc. Purchase & Supplies (Schedule - 1)     | 806.90                | 0.00                 |
| Air Ticket Payable                           | 0.00                  | 43,306.00            |
| Stamp Duty Payable                           | 684,864.16            | 0.00                 |
| PAYE Payable (Commission Members Allowances) | 0.00                  | 0.00                 |
| Miscellaneous                                | 136,701,624.89        | 592,378.00           |
|                                              | <b>211,504,170.69</b> | <b>53,939,097.00</b> |

**TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**

**NOTES TO ACCOUNTS - 31.12.2013**

*(Expressed in Sri Lanka Rupees) (Contd...)*

|            |                                                | <b>31.12.2013</b>        | <b>31.12.2012</b>       |
|------------|------------------------------------------------|--------------------------|-------------------------|
| <b>10</b>  | <b>INCOME</b>                                  |                          |                         |
|            | System Operator License Fees                   | 2,060,743,487.50         | 1,418,317,869.00        |
|            | Cess Fees                                      | 3,500,555,848.71         | 3,514,975,583.00        |
|            | Radio Frequency Fees                           | 8,226,962,705.36         | 6,532,360,699.00        |
|            | Frequency Upfront Fees                         | 5,661,038,940.37         | 367,346,939.00          |
|            | Vendor License Fees                            | 12,464,222.30            | 8,799,690.00            |
|            | Amateur Radio License Fees                     | 91,164.27                | 94,082.00               |
|            | Ship Station License Fees                      | 695,778.93               | 260,851.00              |
|            | Aircraft Station License                       | 170,067.34               | 405,204.00              |
|            | Cordless Phone Dealer Charges                  | 24,910,892.84            | 20,054,795.00           |
|            | Examination Fees                               | 393.85                   | 12,237.00               |
|            | Application Processing Fees                    | 1,632,572.52             | 7,142,858.00            |
|            | Short Code Charges                             | 8,163,241.00             | 6,122,450.00            |
|            | Sundry Income (10 A)                           | 1,991,028,937.24         | 823,949,687.00          |
|            |                                                | 21,488,458,252.23        | 12,699,842,944          |
|            |                                                | (421,995,689.00)         | (227,945,588.00)        |
|            |                                                | <b>21,066,462,563.23</b> | <b>12,471,897,356</b>   |
| <b>10A</b> | <b>SUNDRY INCOME</b>                           |                          |                         |
|            | Interest Income from Staff Loans               | 2,809,521.14             | 3,392,142.00            |
|            | Interest Income from Deposits                  | 1,797,259,029.87         | 820,302,868.00          |
|            | Interest Income from REPO                      | 125,915,601.81           | 0.00                    |
|            | Interest Income from Money Market Transactions | 55,206,490.97            | 0.00                    |
|            | Other Income (Grant)                           | 1,430,608.32             | 55,541.00               |
|            | Gain / (Loss) on Disposal of Fixed Asset       | 447,950.00               | 2,367,160               |
|            | Recoveries from Court Cases                    | 2,370,000.00             | 630,000                 |
|            | Miscellaneous                                  | 5,589,735.13             | 199,136.00              |
|            |                                                | 1,991,028,937.24         | 826,946,847.00          |
| <b>10B</b> | <b>TELECOM DEVELOPMENT CHARGES</b>             |                          |                         |
|            | TDC Revenue                                    | 7,239,709,188.20         | 7,265,875,990.00        |
|            | Less:                                          |                          |                         |
|            | 50% TDC Payable to Treasury                    |                          | (652,745,143.00)        |
|            |                                                | <b>7,239,709,188.20</b>  | <b>6,613,130,847.00</b> |

**TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**

**NOTES TO ACCOUNTS - 31.12.2013**

*(Expressed in Sri Lanka Rupees) (Contd...)*

|           |                                                   | <b>31.12.2013</b> | <b>31.12.2012</b> |
|-----------|---------------------------------------------------|-------------------|-------------------|
| <b>11</b> | <b>REGULATORY EXPENSES</b>                        |                   |                   |
|           | ITU Annual Subscription                           | 21,578,591.10     | 23,108,189.00     |
|           | APT Annual Subscription                           | 1,751,459.00      | 1,765,131.00      |
|           | SAFIR Annual Subscription                         | 400,743.00        | 1,004,149.00      |
|           | Contribution to SATRC                             | 1,984,743.00      | 0.00              |
|           | Library Annual Subscription                       | 112,673.44        | 434,428.00        |
|           | CTO Annual Subscription                           | 4,029,980.68      | 9,586,728.00      |
|           | National Numbering Data Base                      | 0.00              | 0.00              |
|           | Public Awareness Programmes                       | 33,722.00         | 3,462,377.00      |
|           | Participating in Regulatory Affairs Work          | 31,374,546.83     | 35,632,386.00     |
|           | Filling & Depending Court Actions                 | 4,563,820.00      | 3,720,025.00      |
|           | Public Awareness on Telecom Development           | 52,759.54         | 0.00              |
|           | Network Development Monitoring                    | 231,297.00        | 0.00              |
|           | Conduct Research Studies                          | 160,000.00        | 491,166.00        |
|           | Monitor Mobile & TV Cable                         | 0.00              | 22,202.00         |
|           | Connect School/Con.Commu                          | 25,383.00         | 6,109,692.00      |
|           | SATRC Meeting                                     | 0.00              | 0.00              |
|           | Contribution for SATRC Action Plan                | 0.00              | 0.00              |
|           | Miscellaneous Regulatory Expenses                 | 15,049,217.00     | 0.00              |
|           | Communi. Facilities for People with Special Needs | 5,917,046.40      | 4,500,000.00      |
|           | Telecom Related Survey                            | 0.00              | 1,124.00          |
|           | Economic Social Responsibility                    | 136,066,814.68    | 6,674,000.00      |
|           | Survey on quality of service                      | 140,000.00        |                   |
|           | Visiting of Foreign Delegates                     | 1,034,081.49      | 648,772.00        |
|           | Internet Speed Testing                            | 0.00              | 283,496.00        |
|           | School Develop.Project                            | 0.00              | 0.00              |
|           | Commenwealth Peoples Forum                        | 658,360,210.00    |                   |
|           | Africa Asia Regulators Conference                 | 0.00              | 13,232,673.00     |
|           | Global Symposium for Regulators                   | 0.00              | 141,890,000.00    |
|           | Organizing Seminars                               | 61,629.96         | 5,180.00          |
|           | Global Cyber Olympics                             | 0.00              | 158,419.00        |
|           | Survay of Payphone Industry                       | 0.00              | 17,914.00         |
|           | Net Internet Safe Child                           | 0.00              | 1,840.00          |
|           | Magazine & Publication                            | 0.00              | 341,608.00        |



**TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**

**NOTES TO ACCOUNTS - 31.12.2013**

*(Expressed in Sri Lanka Rupees) (Contd...)*

|           |                                                    | <b>31.12.2013</b>     | <b>31.12.2012</b>     |
|-----------|----------------------------------------------------|-----------------------|-----------------------|
|           | Cyber Security Sponsorship                         | 0.00                  | 350,000.00            |
|           | Lotus Tower Project                                | 4,604,482.93          | 19,547,067.00         |
|           |                                                    | <b>887,533,201.05</b> | <b>272,988,566.00</b> |
|           | Less: Kokavil Tower Project                        | (16,953,905.88)       | 0.00                  |
|           |                                                    | <b>870,579,295.17</b> | <b>272,988,566.00</b> |
| <b>12</b> | <b>ADMINISTRATION &amp; ESTABLISHMENT EXPENSES</b> |                       |                       |
|           | Salaries                                           | 91,732,074.53         | 68,322,937.00         |
|           | E.P.F. (15% Contribution)                          | 13,471,892.11         | 9,325,219.00          |
|           | E.T.F. (3% Contribution)                           | 2,681,009.55          | 1,865,044.00          |
|           | Cost of Living Allowance                           | 9,262,399.88          | 12,976,599.00         |
|           | Transport Allowance                                | 16,845,116.04         | 15,966,751.00         |
|           | House Rent Allowance                               | 7,555,959.98          | 5,294,251.00          |
|           | Other Allowances                                   | 2,030,751.05          | 1,085,486.00          |
|           | Performance Incentive                              | 17,859,975.05         | 13,589,631.00         |
|           | Special Allowance                                  | 5,190,047.00          | 6,902,750.00          |
|           | Bonus                                              | 8,543,949.00          | 4,088,990.00          |
|           | Overtime                                           | 6,573,392.33          | 7,223,995.00          |
|           | Chairman's Remuneration                            | 450,000.00            | 450,000.00            |
|           | Unutilized Vacation Leave                          | 10,695,478.00         | 3,477,670.00          |
|           | Commission's Contribution for Pension              | 654,855.01            | 973,726.00            |
|           | Travelling Concession - Rail                       | 5,000.00              | 0.00                  |
|           | Bungalow Telephones                                | 1,973,805.99          | 664,049.00            |
|           | Uniforms                                           | 473,916.75            | 259,732.00            |
|           | Staff Welfare                                      | 8,854,315.73          | 8,319,488.00          |
|           | Development of Sports Activities                   | 1,469,983.75          | 1,430,480.00          |
|           | Staff Professional Membership Subcrip.             | 319,236.09            | 281,156.00            |
|           | Local Training                                     | 1,289,840.00          | 1,165,950.00          |
|           | Commission Members Allowance                       | 60,000.00             | 91,264.00             |
|           | Audit Committee Allowances                         | 37,500.00             |                       |
|           | Housing Loan 2/3 Interest Reimbursement            | 3,486,312.66          | 3,812,284.00          |
|           | Travelling & Subsistence                           | 25,480.00             | 97,001.00             |
|           | Gratuity                                           | 1,711,791.24          | 918,592.00            |
|           | Electricity                                        | 42,150,759.25         | 47,433,944.00         |
|           | Water                                              | 1,128,512.06          | 1,213,845.00          |

**TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**

**NOTES TO ACCOUNTS - 31.12.2013**

*(Expressed in Sri Lanka Rupees) (Contd...)*

|           |                                           | <b>31.12.2013</b>     | <b>31.12.2012</b>     |
|-----------|-------------------------------------------|-----------------------|-----------------------|
|           | Janitorial Services                       | 2,883,284.82          | 3,124,272.00          |
|           | Security                                  | 5,411,527.00          | 5,807,661.00          |
|           | Rates & Taxes                             | 37,500.00             | 78,893.00             |
|           | Economic Service Charge                   | 0.00                  | 0.00                  |
|           | Library Books                             | 2,008,519.93          | 274,050.00            |
|           | Printing and Stationery                   | 8,709,625.65          | 7,588,437.00          |
|           | Fuel                                      | 4,881,748.71          | 5,377,359.00          |
|           | Electrical Goods                          | 296,160.00            | 161,112.00            |
|           | Postage                                   | 994,580.92            | 906,520.00            |
|           | Telephone, Fax and PABX                   | 4,280,078.48          | 4,420,538.00          |
|           | Insurance (Property & Medical)            | 39,627,778.86         | 38,906,001.00         |
|           | Internet Charges                          | 668,845.15            | 887,883.00            |
|           | Vehicle Hiring Charges                    | 2,400.00              |                       |
|           | Newspapers & Notifications                | 9,625,387.56          | 6,743,223.00          |
|           | Consultancy fees                          | 0.00                  | 15,830.00             |
|           | Seminars & Conferences                    | 735,340.30            | 0.00                  |
|           | Audit Fees                                | 0.00                  | 1,280,000.00          |
|           | Legal Expenses                            | 263,908.80            | 33,394.00             |
|           | Rentals for Leased Premises               | 2,385,893.16          | 931,634.00            |
|           | Vehicle Hiring Charges                    | 0.00                  | 0.00                  |
|           | Rentals for Internet Leased Line          | 3,082,665.30          | 3,579,149.00          |
|           | Depreciation                              | 80,667,821.99         | 67,981,271.00         |
|           | Administration Miscellaneous              | 915,297.45            | 1,484,085.00          |
|           | Purchases & Supplies Miscellaneous        | 742,321.23            | 1,439,210.00          |
|           | Operating Cost Miscellaneous              | 31,438.00             | 222,412.00            |
|           |                                           | <b>424,785,476.36</b> | <b>368,473,770.00</b> |
| <b>13</b> | <b>REPAIRS &amp; MAINTENANCE EXPENSES</b> |                       |                       |
|           | Office Equipment Maintenance              | 3,552,070.75          | 1,653,444.00          |
|           | Elevator Maintenance                      | 0.00                  | 744,520.00            |
|           | Generator Maintenance                     | 0.00                  | 15,861.00             |
|           | Vehicle Maintenance                       | 7,071,567.55          | 8,249,241.00          |
|           | Building Maintenance                      | 2,962,029.56          | 2,630,442.00          |
|           | Technical Equip. Maintenance              | 705,833.60            | 1,310,139.00          |
|           | Software Maintenance & Development        | 18,385,497.44         | 25,393,945.00         |
|           | Upgrade Lotus Dominion Server             | 0.00                  | 0.00                  |

**TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**

**NOTES TO ACCOUNTS - 31.12.2013**

*(Expressed in Sri Lanka Rupees) (Contd...)*

|           |                                     | <b>31.12.2013</b>               | <b>31.12.2012</b>               |
|-----------|-------------------------------------|---------------------------------|---------------------------------|
|           | Monitoring System Upgrade           | 780,300.00                      | 0.00                            |
|           | Monitoring System Upgrade           | 290,059.68                      | 0.00                            |
|           | Rep. & Maint.Misc                   | 19,250.00                       | 81,013.00                       |
|           |                                     | <b>33,766,608.58</b>            | <b>40,078,606.00</b>            |
| <b>14</b> | <b>FINANCE &amp; OTHER EXPENSES</b> |                                 |                                 |
|           | Bank Charges                        | 249,544.16                      | 207,325.00                      |
|           | Bank Debit Tax                      | 0.00                            | 0.00                            |
|           | Stamp Duty                          | 34,825.00                       | 1,545,687.00                    |
|           | Interest on Gratuity Provision      | 0.00                            | 2,780,848.00                    |
|           |                                     | 284,369.16                      | 4,533,860.00                    |
| <b>15</b> | <b>Under / (Over) Provision</b>     |                                 |                                 |
|           |                                     | <b>(Over) / Under Provision</b> | <b>(Over) / Under Provision</b> |
|           | IDD levy payable to Treasury        | 350,446.86                      | 0.00                            |
|           | TDC receivable                      | 1,498,312.99                    | 0.00                            |
|           | T/Levy Payable to Treasury          | (11,704,354.47)                 | 0.00                            |
|           | Water                               | (4,436.80)                      | 0.00                            |
|           | Repair & Maintenance                | (1,788,601.56)                  | 0.00                            |
|           | Janitorial Services payable         | (137,346.98)                    | 0.00                            |
|           | Bonus Payable                       | (320.00)                        | 0.00                            |
|           | Air Ticket Payable                  | (915.83)                        | 0.00                            |
|           | Electricity                         | (255.00)                        | 0.00                            |
|           | Banglow T'Phone                     | 2.47                            | 0.00                            |
|           | Newspaper & Noti. Payable           | (1,000.00)                      | 0.00                            |
|           | Miscellaneous Payable               | (474,547.67)                    | 0.00                            |
|           | Staff Welfare Payable               | (45,599.14)                     | 0.00                            |
|           | 2/3 Housing Loan Interest Payable   | 30.00                           | 0.00                            |
|           | Travel & Subsistence Payable        | (46,200.00)                     | 0.00                            |
|           | SAFIR ( Air Ticket Receivable)      | 1,930.28                        | 0.00                            |
|           | ESC Claimable                       | (15,170,394.21)                 | 0.00                            |
|           |                                     | <b>(27,523,249.06)</b>          | <b>0.00</b>                     |

**TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**

**NOTES TO ACCOUNTS - 31.12.2013**

*(Expressed in Sri Lanka Rupees) (Contd...)*

|           |                                              | <b>31.12.2013</b>        | <b>31.12.2012</b>     |
|-----------|----------------------------------------------|--------------------------|-----------------------|
| <b>16</b> | <b>CONTRIBUTION TO THE CONSOLIDATED FUND</b> |                          |                       |
|           | Contribution under Telecommunication Act     | 10,100,000,000.00        | 10,200,000,000.00     |
|           | Contribution under Finance Act               |                          |                       |
|           | Telecommunication Levy Paid                  | 18,449,721,207.86        | 17,275,006,382.00     |
|           | 50% Telecommunication Development Charges    | 3,964,677,717.34         | 2,980,192,851.97      |
|           | Levy on OLAC Paid                            | 1,994,854,967.50         | 2,016,548,919.00      |
|           |                                              | <b>34,509,253,892.70</b> | <b>32,471,748,152</b> |



**විගණකාධිපති දෙපාර්තමේන්තුව**  
**கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்**  
**AUDITOR GENERAL'S DEPARTMENT**



මගේ අංකය } TM(2)/H/TRC/  
எனது இல. } 1/13/20  
My No. }

ඔබේ අංකය }  
உமது இல. }  
Your No. }

දිනය } 28 July 2014  
திகதி }  
Date }

The Chairman,  
Telecommunications Regulatory Commission of Sri Lanka

**Report of the Auditor General on the Financial Statements of the Telecommunications Regulatory Commission of Sri Lanka for the year ended 31 December 2013 in terms of Section 14(2)(c) of the Finance Act, No. 38 of 1971**

The audit of Financial Statements of the Telecommunications Regulatory Commission of Sri Lanka for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the profits and losses and comprehensive income statement, the statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 22(a)(2) of the Sri Lanka Telecommunications (Amendment) Act, No. 27 of 1996. My comments and observations which I consider should be published with the Annual Report of the Commission in terms of Section 14(2)(c) of the Finance Act appear in this report. A detailed report in terms of Section 13(7)(a) of the Finance Act was furnished to the Chairman of the Commission on 02 May 2014.

**1.2 Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal controls 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 Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission'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 Commission'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 the extent of the audit.

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

### 1.4 Basis for Qualified Opinion

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

## 2. Financial statements

### 2.1 Qualified Opinion

In my opinion except for the effects of the matters described in paragraph 2:2 of this report, the financial statements give a true and fair view of the financial position of the Telecommunications Regulatory Commission of Sri Lanka as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.



## 2.2 Comments on Financial Statements

### 2.2.1 Sri Lanka Accounting Standards

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

| Reference to Sri Lanka Accounting Standards | Non-compliance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|---------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Accounting Standard No. 16                  | <p>(i) Even though the depreciation of property, plant and equipment should commence from the date of making them fit for use, the Commission had followed an accounting policy for depreciating for the full year of purchase of assets and for not depreciating in the year of disposal.</p> <p>(ii) Out of a land 112 acres 01 rood 10.5 perches in extent owned by the Commission, an extent 50 per cent approximately had been acquired by the Divisional Secretary, Katana while, a sum of Rs.45,000,000 had been shown under property, plant and equipment as the value of the entire land. Even though the asset should have been revalued and brought to account under the fair value, this had been shown as a note to the accounts over the preceding 11 years.</p> <p>(iii) The fixed assets costing Rs.399,451,975 fully depreciated by 31 December of the year under review but being used for operations had been brought to account at zero value without being revalued.</p> |





### 2.2.2 Accounting Deficiencies

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The following observations are made.

- (a) The frequency licence income for the year under review had been overstated by a sum of Rs.130,544,231 as invoices valued at Rs.130,544,231 in respect of preceding year had been issued in the year 2013.
- (b) Even though the profit from the sale of fixed assets amounting to Rs.2,367,160 and recoveries through Court cases amounting to Rs.630,000 of the preceding year had been shown in the Note on the other Income, that had been added to the comprehensive income for the year instead of being added to the income in the income statement.

### 2.2.3 Accounts Receivable and Payable

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The following observations are made.

- (a) Even though a sum of Rs.365,254,867 out of the amount of trade debtors of the Commission as at the end of the year under review had been classified as debtors balances older than 02 years, that included debtors balances existing for more than 20 years.
- (b) Even though a sum of Rs.105,727,789 remained receivable as at 31 December 2011 from the Sri Lanka Broadcasting Corporation, the invoices for the services provided in the years 2012 and 2013 had not been issued. Even though a sum of Rs.224,805,159 had been receivable from 11 debtors owing more than Rs.1 million each over periods ranging from 02 years to 14 years, invoices had not been issued to those debtors over several years.
- (c) Even though 34 institutions using frequencies had made payments exceeding the amounts payable amounting to Rs.1,640,929 more than two years ago, the Commission had not formulated a methodology for settlement of such payments up to date.
- (d) The staff loan balances remaining without being recovered for more than one year amounted to Rs.2,461,764.



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

Non-compliance with the following laws, rules, etc. were revealed during the course of audit.

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

### Non-compliance

- (a) Section 11 of the Finance Act, No. 38 of 1971, the Public Finance Circular No. PF/PE/09 of 27 June 2000 and the Public Enterprises Circular No. PE 56 of 27 January 2011.

The Commission had invested a sum of Rs.18,524,500,000 in fixed deposits in a Bank and Treasury Bills without obtaining the approvals for the investment of money and retention of money.

- (b) Establishments Code of the Democratic Socialist Republic of Sri Lanka

- (i) Sub-section 7.9.2 of Chapter XXIV

Even though the loans should be recommended within the 40 per cent recovery limit of the salary of the officer exclusive of all allowances, a motor vehicle loan for the Director (Network) had been recommended and paid despite the total of recoveries from his salary had exceeded 40 per cent limit.

- (ii) Sub-section 7.2.5 of Chapter XXIV

Even though the Director (Networks) had obtained a loan of Rs.1,500,000 in the year 2006 for the purchase of a motor vehicle, a motor vehicle had not been purchased from that money. Money had been utilized for private purposes up to March 2011 and a motor vehicle loan of Rs.2,100,000 had been obtained by settling Rs.865,358 payable as the loan and interest to the Commission as at that date.

Even though a motor vehicle loan can be obtained only once in 05 years, he had obtained a further motor vehicle loan of Rs.2,260,000 in July 2013 after settling the loan obtained in the year 2011.



(c) Financial Regulations of the Democratic  
Socialite Republic of Sri Lanka

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Financial Regulation 757(2)

The Commission had not taken action to appoint a Board of Survey at the end of the year under review, conduct a Board of Survey and furnish a copy of the report to the Auditor General.

(d) Circular letter dated 19 February 1990 of  
the Secretary to the Ministry of Policy  
Development and Implementation

All services relating to the legal affairs of Public Corporations, Government Institutions, Business Undertakings and Public Companies should be done by the Attorney General as decided by the Cabinet of Ministers. But, without taking action accordingly, the Commission had, in one instance, selected a private firm as the legal firm and had paid Rs.242,130 in that connection up to 13 September 2013.

(e) Circular No. 15/2007 dated 12 June 2007 of  
the Secretary to the Ministry of Public  
Administration and Home Affairs.

Even though motor vehicle loans should be paid through Commercial Banks, the Commission had paid motor vehicle loans from its own funds based on the Commissions Circular No. TRC/04/12 of 14 August 2013.

(f) (i) Paragraph 2.2(b) of Public  
Administration Circular No. 15/2007  
dated 12 June 2007 and Sub-section  
7.4.1 of Chapter XXIV of the  
Establishments Code.

The Commission had recovered interest on the grant of motor vehicle loans at 4.2 per cent per year without making enquiries from the General Treasury on the interest recoverable on motor vehicle loans.

(ii) Public Enterprises Circular No. 130 of  
18 March 1998.

Even though the interest should be recovered at the interest rates prevailing in the market and under recoveries made should be computed and included in the accounts of the Commission, it had not been so done.



- (g) National Budget Circular No. 81 of 06 January 1999. The Commission had not obtained the approval of the Treasury for the purchase of 02 Jeeps costing Rs.39,800,000 in the year under review.
- (h) Procurement Guidelines 2006
- (i) Section 4.1.1 Even though it is specified that adequate budgetary provision should be available for purchase, provisions for the year under review had not been made for the purchase of 05 data storage machines, a security software, a data storage rack and two LCD monitors. Even though the transaction was planned for completion in the year 2012 purchase had been made in the year 2013 as it could not be done in the year 2012 and brought to account as expenditure on repairs and maintenance.
- (ii) Section 8.9.1(a) Even though an agreement should be entered into with the supplier company for the purchase of goods for more than Rs.500,000, such agreements had not been entered into in connection with the purchase of 05 data storage machines for Rs.3,478,013 and a security software for Rs.841,574. Even though the equipment had been supplied after a delay, liquidated damages for delays could not be recovered in view of this position.
- (iii) Section 3.5 The Procurement Committee had decided to purchase the 02 Jeeps from a private institution instead of inviting quotations for the purchase.
- (iv) Sections 2.8 and 3.3 A Technical Evaluation Committee had not been appointed for the purchase of equipment costing Rs.5,115,465 for the Physical Fitness Centre while national competitive bids had not been invited for the purchase.

- (i) Paragraph 04 of the letter No. BD/CPB/1/1/2012 dated 30 December 2011 of the Secretary to the Ministry of Finance and Planning
- Even though the maximum distress loan payable to an employee had been limited to Rs.250,000, a sum of Rs.1,890,040 had been paid as excess of that limit in 13 instances.

#### 2.4 Transactions not supported by Adequate Authority

The following observations are made.

- (a) The National Salaries and Cadre Commission had, by its letter No. NSCC/3/ABC/24 dated 13 June 2007, clearly stated that it had not recommended for the payment of rent allowance at 10 per cent of the salary by the institutions to its employees. Contrary to that provision, the Commission had paid a sum of Rs.7,555,959 during the year under review as rent allowance to its employees.
- (b) A sum of Rs.3,486,312 representing 2/3 of the interest on the housing loans obtained from the Bank by the employees of the Commission, had been paid by the Commission in the year 2013 without the approval of the Treasury.
- (c) The particulars of payments made to the staff based on the decision of the Commission and the internal circulars without the approval of the Treasury and contrary to the provisions in the Public Enterprises Circular No. PED/12 of 02 June 2003, the Management Services Circular No. 39 of 26 May 2009, the Public Finance Circular No. PF/PE/05 of 11 January 2000 and the Public Enterprises Circular No. 95 of 04 June 1994 are given below.
- (i) Rs.3,341,995 as the attendance allowance for the year 2012.
- (ii) Rs.1,763,533 as the telephone allowance for the year under review.
- (iii) Rs.547,500 to 32 officers for the performance of duties of the GSR Project.
- (iv) Rs.4,103,890 as the bonus for the year 2012.



- (d) The particulars of payments made contrary to the matters specified in the letter No. NSCC/3/ABC/24 dated 01 June 2007 of the National Salaries and Cadre Commission are given below.
- (i) According to the above letter a monthly transport allowance of Rs.2,000 had been approved for the non-staff grade officers. But a monthly transport allowance of Rs.6,000 had been paid. As such a sum of Rs.5,328,000 had been paid for the year under review without approval.
- (ii) According to the above letter the monthly fuel allowance of the officers of the Commission had been limited at Rs.5,000 per month to a Deputy Director and Rs.3,500 per month to an Assistant Director. Nevertheless, contrary to the above limits, the Deputy Directors and the Assistant Directors had been paid monthly fuel allowances at the rate of Rs.17,000 and Rs.15,500 respectively. Accordingly, a sum of Rs.2,268,000 had been paid for the year under review without authority.
- (e) Contrary to the decision of the Cabinet of Ministers dated 18 March 2009 as appearing in the Management Services Circular No. 39 of 26 May 2009, the salary steps approved by the Department of Management Services for the groups of employees had been revised based on the decision of the Commission dated 15 August 2013 and salaries had been paid at the higher salary scales prepared. This contravenes the National Salaries Policy as well as surpassing the salary scales approved for the different groups of salaries. The overpayments of salaries made relating to the year under review amounted to Rs.18,284,450.
- (f) The provisions in the Management Services Circular No. 39 of 26 May 2009 had not been taken into consideration in determining the salaries of 05 staff officers recruited on contract basis.



### 3. Financial Review

#### 3.1 Financial Results

According to the financial statements presented, the operations of the Commission for the year under review had resulted in a surplus of Rs.47,367,276,561 as compared with the corresponding surplus of Rs.37,684,009,841 for the preceding year, thus indicating an increase of Rs.9,683,266,720 in the financial result.

#### 3.2 Analytical Financial Review

Significant variances were observed at a comparison of the income and expenditure of the Commission with that of the preceding year.

| Particulars                           | 31 December<br>2013 | 31 December<br>2012 | Difference     | Percentage of<br>Difference |
|---------------------------------------|---------------------|---------------------|----------------|-----------------------------|
|                                       | Rs.                 | Rs.                 | Rs.            |                             |
| <b>Income</b>                         |                     |                     |                |                             |
| Operator Licence Fees                 | 2,060,743,487       | 1,418,317,869       | 642,425,618    | 45.30                       |
| Broadcasting Frequency Fees           | 8,226,962,705       | 6,532,360,699       | 1,694,602,006  | 26.06                       |
| Prepayment of Frequency Fees          | 5,661,038,940       | 367,346,939         | 5,293,692,001  | 1441.10                     |
| Cordless Telephone Fees               | 24,910,893          | 20,054,795          | 4,856,098      | 24.20                       |
| Sundry Income                         | 1,991,028,937       | 826,946,847         | 1,164,082,090  | 140.77                      |
| Total Income                          | 49,202,055,538      | 38,603,814,047      | 10,598,241,491 | 27.45                       |
| <b>Expenditure</b>                    |                     |                     |                |                             |
| Regulatory Expenditure                | 870,579,295         | 272,988,566         | 597,590,729    | 219.0                       |
| Bad Debts                             | 83,367,539          | 5,783,816           | 77,583,723     | 1,341.4                     |
| Nation Building Tax                   | 421,995,689         | 227,945,588         | 194,050,101    | 85.1                        |
| Total Expenditure                     | 1,834,778,977       | 919,804,206         | 914,974,771    | 99.3                        |
| Pre-tax Operating Profit for the year | 47,367,276,561      | 37,684,009,841      | 9,683,266,720  | 25.7                        |





#### 4. Operating Review

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##### 4.1 Performance

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The following observations are made.

- (a) Even though the Commission had taken action to regulate the use of frequencies, there were 45 public complaints relating to frequency defects.
- (b) The Commission had allowed the private institutions to programme the equipment deployed for the use of frequencies. As such the possibility of using the power exceeding the allocation made by the Telecommunication Regulatory Commission as well as programming a larger number of equipment than the number approved was observed. The Commission had not intervened to rectify the situation.

##### 4:2 Operating Inefficiencies

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The following observations are made.

- (a) The specific determination of the amount receivable by the Commission had been delayed due to the delay in submitting the audited final accounts by certain institutions.
- (b) According to the Notification published in the Gazette Extraordinary No. 1986/4 dated 27 December 2010 of the Democratic Socialist Republic of Sri Lanka, the Telecommunication Operators should pay the cess with effect from 01 January 2011. Nevertheless, the arrears due as at 25 April 2014 from 5 institutions totalled to Rs.50,876,397. The Commission had not formulated a methodology for obtaining legal authority for charging a penalty from the operations who do not pay or delay the payment of cess. As such the payment of the cess collected by the Telecommunications Operators to the Commission had been defaulted by them. Even though it was informed me on 28 June 2011 and 16 June 2012 that a methodology for obtaining the legal authority applicable to every licence holder would be included in the Telecommunications Act, such action had not been taken up to date.



- (c) A formal methodology had not been introduced for the recovery of the frequencies income while a procedure for charging penalty or taking legal action for the non-payment of frequencies income had also not been introduced. Out of the invoices issued in the year 2013, invoices valued at Rs.4,133,666 had not been settled even by 29 April 2014. In view of the delays prevailing in the issue of invoices to the respective institutions the invoices relating to the income of Rs.130,544,231 which were recoverable in respect of preceding years had been issued in the current year.
- (d) The Commission is not vested with the powers by the Telecommunication Act for the recovery of an additional penalty for the default in the payment of the radio frequency fees. But action had not been taken to amend the Telecommunications Act, to obtain such powers.
- (e) In terms of Section 22(1) of the Telecommunications Act, as amended by the Amendment Act, No. 25 of 1991 and Amendment Act, No. 27 of 1996, any persons should not use any radio frequency in Sri Lanka except under a licence issued by the Telecommunications Regulatory Commission. Even though one company had used frequencies without a licence, the Commission had not taken action in that connection.
- (f) In terms of provisions in the Telecommunications Tax Act, No. 21 of 2011, the Telecommunications Operators should collect the Telecommunication Tax at 20 per cent and remit to the Commission before the fifteenth day of the month following. Nevertheless, two companies had not made payments accordingly.
- (g) The accounts for the year 2012 furnished by a company paying the Telecommunications Tax had not been certified by the auditors while two companies had not furnished the final accounts for the year 2012. The Commission had not taken action to obtain those accounts and as such it was not possible to be satisfied in audit with regard to the accuracy of the tax for that year.
- (h) Even though a period of nearly one year had elapsed after the due date for the renewal of the Operator Licences action had not been taken for the recovery of a sum of Rs.101 million due from two operators.
- (i) In terms of provisions in the Inland Revenue Act, No. 10 of 2006 and the subsequent amendments thereto, the Pay As You Earn Tax should be recovered from the salaries of the respective officers and remitted to the Department of Inland Revenue. Nevertheless, the Pay As You Earn Tax amounting to Rs.3,512,759 had been paid to the Department of Inland Revenue by the Commission without being recovered from the officers.



#### 4.3 Transactions of Contentious Nature

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The Commission had spent a sum of Rs.5,091,903 for accommodation and food in connection with a get-together and a tour of the officers of the staff and their families in the year under review.

#### 4.4 Underutilization of Funds

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The sum of U.S.\$ 420,000 invested by the Telecommunications Regulatory Commission in the year 2003 in a Savings Bank Account had increased to U.S.\$ 532,111.45 or Rs.69,605,498.77 by the end of the year under review. That money had remained without being utilized during a period of 10 ½ years.

#### 4.5 Identified Losses

---

The following observations are made.

- (a) As a sum of Rs.8,000,000,000 invested in the Public Institutions Temporary Surplus Trust Fund had been discounted by the General Treasury before maturity, the balance investment of Rs.285,642,376 and the dividend income receivable amounting to Rs.325,812,879 had been deprived of.
- (b) A motor vehicle of the Commission used by a Minister up to 29 February 2012 had been damaged due to an accident during that period. Even though the Commission had spent a sum of Rs.625,409 for the repairs to the motor vehicle, a loss of Rs.173,031 had been incurred as the insurance company had reimbursed only Rs.452,377. Action had not been taken for the recovery of the loss from the party responsible.

#### 4.6 Deficiencies in Contract Administration

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Construction of Lotus Tower Television and Telecommunication Multi-Transmission Tower.

- (a) Even though this construction work had been awarded to a Chinese Company on the approval of the Cabinet of Ministers, according to the Business License of the Company the business scope of the company did not include Multi-Transmission Towers or large scale construction contracts.



- (b) Even though the Critical Path containing the period of construction and the related items of work to be completed had been furnished, the management had failed to furnish the progress of construction for the past 17 months in physical and financial terms. Even though the work should be completed within 912 days in accordance with the agreement, it was not possible to examine whether the work could be completed on the due date as expected.
- (c) Even though over 55 per cent of the work completion period had elapsed, a report on the changes to the contract cost during that period had not been prepared by the Consultancy Company.
- (d) According to the agreement, a detailed Bill of Quantities as set-out in Note "C" should be prepared within 05 months after signing of the contract. But such detailed Bill of Quantities had not been prepared despite the elapse of 17 months.

#### 4.7 Commencement of Projects on Lands/Properties not Formally Acquired

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The Cabinet of Ministers had decided on 14 December 2011 that in view of the Lotus Tower Project being a Project of national importance, the Urban Development Authority should transfer the land concerned to the Telecommunications Regulatory Commission of Sri Lanka on the basis of recovery of only the development cost incurred up to date by the Urban Development Authority. Contrary to that, a sum of Rs.1,800 million had been paid to the Urban Development Authority at the end of the year under review without computing the expenditure incurred on the land by the Urban Development Authority and in addition it had been agreed to pay a further sum of Rs.9,900 million.

#### 4.8 Personnel Administration

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Even though the approved cadre of the Commission as at 31 December 2013 had been 290, the actual cadre stood at 207. Even though 29 employees had been recruited on contract basis and secondment basis, the approval of the Department of Management Services for that had not been obtained. Details appear below.



| Category of Employees   | Cadre as at 31 December 2013 |        | Vacant Posts | Excess Posts |
|-------------------------|------------------------------|--------|--------------|--------------|
|                         | Approved                     | Actual |              |              |
| Executive/ Staff Grades | 62                           | 28     | 34           | -            |
| Support Grades          | 182                          | 109    | 73           | -            |
| Minor Employees         | 46                           | 41     | 05           | -            |
| Secondment Basis        | -                            | 02     | -            | 02           |
| Contract Basis          | -                            | 27     | -            | 27           |
|                         | 290                          | 207    | 112          | 29           |

#### 4.9 Motor Vehicles Utilizations

The following observations are made.

- The Daily Running Charts in terms of the Public Finance Circular No. 353(5) dated 31 October 2004 had not been maintained for the motor vehicle obtained on hire basis at the rate of Rs.80,000 per month, for the Construction Supervising Officer of the Lotus Tower Project.
- As the Daily Running Charts had not been furnished to audit it was not possible to establish in audit the use of the motor vehicle, the number of kilometres run, the number of days the motor vehicle was run, etc. As such the appropriateness of obtaining the motor vehicle on hire basis could not be established in audit.

#### 5. Accountability and Good Governance

##### 5.1 Corporate Plan

The following observations are made.

- The Corporate Plan prepared for the years 2009 to 2013 had not been revised. The current Corporate Plan did not include information in areas such as the policy methodologies of human resources management, financial and supplies areas, the operating activities of the Commission including those responsible for operation as well

as the period of operation. The operating activities of 3 preceding years had not been reviewed and included therein. As such that Corporate Plan had not been prepared in a manner to build up a connection between the Corporate Plan and the budget and with a view to achieving the Vision and Mission of the Commission.

- (b) Even though a sum of Rs.22,231,205 had been paid to a private institution for the preparation of the Corporate Plan for the years 2000 to 2001 an acceptable Corporate Plan had not been prepared. Even though it was reported that the Criminal Investigation Department was conducting an investigation, any progress thereon was not reported.

## 5.2 Action Plan

Even though the Action Plan should be prepared before the commencement of the year and take action to achieve the targets and to ascertain how far the planned targets had been achieved within a specified period, an Action Plan prepared for the year under review had not been furnished to the Auditor General.

## 5.3 Procurement Plan

The Commission had not prepared a Procurement Plan for the year under review and furnished to audit. As procurements had not been made according to a plan such a plan had not been made use of as an instrument of control.

## 5.4 Budgetary Control

A comparison of the budget forecasts prepared by the Commission with an actual values revealed a large number of variances. Those variances ranged between 4 per cent to 124 per cent. As the assets and liabilities, income and expenditure for the year under review had not been forecasted accurately, the budget had not been made use of as an effective instrument of financial control.

## 5.5 Tabling of Annual Reports

The Annual Report for the year 2012 had not been tabled in Parliament up to date.



## 6. Systems and Controls

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The observations in systems are controls made during the course of audit were brought to the notice of the Chairman of the Commission by my detailed report in terms of Section 13(7)(a) of the Finance Act. Special attention is needed in respect of the following areas control.

- (a) Budget
- (b) Corporate Plan
- (c) Debtors
- (d) Investments
- (e) Procurements
- (f) Payment of Allowances
- (g) Contract Administration

**H.A.S. Samaraweera**  
**Auditor General**



# NOTES

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