



ANNUAL REPORT

2016



**TELECOMMUNICATIONS REGULATORY
COMMISSION OF SRI LANKA
(TRCSL)**

**ANNUAL REPORT
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THE MESSAGE OF HIS EXCELLENCY THE PRESIDENT



The telecommunications sector worldwide has changed at an unparalleled pace in recent times and is helping to transfer the world into a global village. In keeping with the global trends, Sri Lanka's telecommunications industry too has witnessed tremendous growth and transformation during the past few decades. Its impact on our society and culture as well as the way we live, and work has been immense. I am happy to note that the Telecommunications Regulatory Commission of Sri Lanka (TRCSL) has been playing a very dynamic role over the years in bringing about a healthy and vibrant telecommunications industry in Sri Lanka thereby providing opportunities for all users to enjoy the benefits of the telecommunications revolution.

According to the Annual Report of the Telecommunications Regulatory Commission of Sri Lanka (TRCSL) for the year 2016, it is clear that the Commission has taken many progressive steps to improve its services as a result of advances made in the new technology. The industry has registered steady growth over the years and there is considerable investor interest in the sector as evidenced by the increased private sector participation in this field. During the year under review, the Commission has launched an awareness campaign to educate the general public regarding telephone usage and related issues to eradicate malpractices. This is a matter of great concern today and the interest taken by the Commission in this regard is timely and well appreciated.

I have noted that the Commission has taken steps to ensure quality, new technology, innovation, suitability, relevance and price when various licenses are issued for importation of equipment for operating and business purposes. This helps to ensure quality service to customers and maintain high standards in business operations. Helping and facilitating disabled people, school children, women, girls and others who need IT knowledge for their living and day-to-day work are useful programs implemented by the Commission as part of its social responsibility. I wish to emphasize that it is necessary for the Commission to actively participate in various IT related programmes with relevant international organizations and developed

countries to introduce telecommunications advances into this country. The work already accomplished by the commission in this area is remarkable.

While facilitating telecommunications regulatory matters, the Commission has supported the economy of this country by contributing a substantial amount of money to the Government Consolidated Fund yearly. In the year 2016 alone, TRCSL has remitted a sum of rupees 48,816 million to the General Treasury.

Besides contributing to the expansion of the Telecommunications industry in Sri Lanka, TRCSL has been able to bring about new avenues for gainful employment for a large number of our youth in this sector. This has been made possible as a result of the active and dynamic role played by the private and public sector institutions in this field. I wish to take this opportunity to mention that our Government is fully committed to assisting the TRCSL in its efforts to develop the telecommunications field in the years ahead in partnership with the private sector, while harnessing the benefits of new technologies

Finally, I wish to place on record my appreciation of the work accomplished by the Commission during the year 2016. I hope that the Chairman and the Director General with the support of the dedicated staff of the TRCSL will continue to maintain the development momentum generated during the past few years with a view to achieving excellence in all aspects of the telecommunications industry and providing a high quality telecommunications service to the people.



Maithripala Sirisena

President of the Democratic Socialist Republic of Sri Lanka

The Message of the Chairman

Today, in the world of technology, the telecommunication field has reached to a unique level of development than all other technologies. It is an integral part of any industry, economy, and even in a community. The world will not move without telecommunication today. The innovation and new inventions are taking place quickly than any other field of technology and therefore world is changing so quickly. Any nation in the world gives priority for telecommunication today since its effect is cardinal important to its economy as well as to their development in every sections. Having understood fully the gravity of the matter, the Telecommunication Regulatory Commission of Sri Lanka (TRCSL) has strengthened the Commission with necessary enactments and facilitating all its divisions to function the way it should be. As per the Telecommunication Act No. 25 of 1991 as amended by the Act No. 27 of 1996 the Commission has been empowered to function as the legal competent authority for telecommunication regulatory matters in Sri Lanka.

During the course of year 2016, the Commission has been successful in many aspects of its functions as described by the Director General by his review, and figures and charts given therein. It is worthwhile to mention that some of the activities of TRCSL during the concern period were remarkable and appreciable. The construction of telecommunication towers was thoroughly responded to the complaints of concern parties. The issuing of radio frequencies was in response to the interferences and legal actions. The Legal Division was given priorities to new development in the field of telecommunication in order to update the legal frame works. In case of National Broadband Policy, the TRCSL initiated many progressive activities and conducted many awareness programs for public officers as well as special needy people. Some of the programs were collaborated with foreign experts and volunteers. The preparation of 'e-agriculture strategy' is a needy guide line for the agriculture of the country.

During the year 2016, the fierce competition among operators paved the way to reduce price level than other countries in the region. Due to development and changes in the telecommunication field, the levy, taxes, Cess had to be changed to maintain the services without any interruption. And the income of TRCSL for 2016 was increased by 16% and the profit after tax was 15% increased when compared with the previous year.

To be par with the IT developed world, the Commission has been engaged in many progressive activities with active private sector participations in the year 2016. In this endeavor, the service rendered by the Director General, the Management Team and the supporting staff of the TRCSL is appreciable.

Chairman

Telecommunications Regulatory Commission of Sri Lanka

Content

CHAPTER - 01	1
Telecommunications Regulatory Commission of Sri Lanka (TRCSL) Origin, Vision, Mission, Objectives and Responsibilities	
CHAPTER - 02	7
Profile of Directors and the Senior Management of the Telecommunications Regulatory Commission of Sri Lanka (TRCSL)	
CHAPTER - 03	10
Progress review by the Director General of the Telecommunication Regulatory Commission of Sri Lanka (TRCSL) for the year 2016	
CHAPTER - 04	18
Division vise performance reports for the year 2016	
CHAPTER - 05	52
Internal Audit Performances And Audit Committee Reports	
CHAPTER - 06	60
Audited Financial Statement	
CHAPTER - 07.....	88
Report of the Auditor General	

Acronyms

APT	Asia Pacific Telecommunity
ARPU	Average Revenue Per User
ASMS	Antenna Structure Management System
BOI	Bureau of Investment
CERT	Computer Emergency Readiness Team
CID	Criminal Investigation Department
CSR	Corporate Social Responsibility
CTO	Commonwealth Telecommunication Organization
CWG	Council Working Group
DOA	Department of Agriculture
DTH	Direct to Home
FAO	Food & Agriculture Organization
GCI	Global Cyber Security Index
GMDSS	Global Maritime Distress Safety System
HFDF	High Frequency Direction Finding
ICT	Information & Communication Technology
ICTA	Information and Communication Technology Agency
IT	Information technology
ITU	International Telecommunication Union
JICA	Japan International Corporation Agency
LT	Lotus Tower
MFR	Master Frequency Register
MOA	Ministry of Agriculture
NIA	National Information Agency
OLAC	Outgoing Local Access Charges
OTT	Over the Top
PILD	Policy International Relations and License Division
PPP	Private Public Partnership
PSTN	Public Switching Telephone Network
RTE	Radio Terminal Equipment
SAARC	South Asian Association for Regional Co-operation
SAFIR	South Asian Federation for Infrastructure Regulation
TL	Telecommunications Levy
TDC	Telecommunication Development Charges
TRCSL	Telecommunications Regulatory Commission of Sri Lanka
TSO	Telecommunications System Operators
VTC	Vocational Training Centers
WTISD	World Telecommunication and Information Society Day

Tables

03.01	Increase in Spectrum Users 2015 - 2016	11
03.02	Number of Clearance Reports Issued in 2015-2016.....	11
03.03	Progress of Awareness programs	12
03.04	Total Industry Revenue of Mobile and Fixed Access Operators 2015-2016	15
03.05	Mobile and Fixed Access Operators Investments 2015-2016	15
03.06	Number of Mobile and Fixed Access Subscriber bases for the period 2015-2016.....	15
03.07	The ARPU of Mobile and Fixed Access Operator for the period 2015-2016.....	16
03.08	Net Profit/(Loss) After Tax 2015-2016.....	16
04.01	Statistics Related to Network Division for 2015-2016.....	20
04.02	Short Codes Assigned in 2016.....	20
04.03	Number of Frequencies Assigned in 2015 - 2016.....	23
04.04	Number of Licenses Issued for Spectrum Users in 2015 - 2016.....	23
04.05	Complaints Received and Investigations Undertaken in 2016.....	23
04.06	Number of Illegal Users Identified and Preventive Action Taken in 2015 - 2016.....	24
04.07	Number of Clearance Reports Issued in 2015 - 2016.....	24
04.08	Progress of Compliance Division in year-2016.....	27
04.09	Annual Subscription and Member Fees for 2016	34
04.10	Colombo Lotus Tower Construction Progress	36
04.11	Total Industry Revenue of Mobile and Fixed Access Operators 2011-2016	38
04.12	Number of Mobile and Fixed Access Subscriber bases for the period 2011-2016.....	39
04.13	The ARPU of Mobile and Fixed Access Operator for the period 2011-2016.....	39
04.14	Net Profit/(Loss) After Tax 2011-2016.....	39
04.15	Mobile and Fixed Access Operators Investments 2011-2016	40
04.16	Telecommunications Levy 2012-2016.....	40
04.17	Cess 2012-2016.....	40
04.18	TDC Levy Collection	41
04.19	Outgoing Local Access Charges Levy Collection.....	41
04.20	Revision of the Floor Rate.....	42
04.21	Foreign and Local Training - 2016	43
04.22	Revenue of the Commission from 2014 - 2016	48
04.23	Remittance to the Consolidated Fund.....	50

Charts

04.01	Total Industry Revenue.....	38
04.02	Total Industry Revenue of Mobile and Fixed Access Operators 2011-2016	39
04.03	Net Profit/(Loss) After Tax 2011-2016.....	40
04.04	TDC Levy Collection	41
04.05	Outgoing Local Access Charges Levy Collection.....	41
04.06	Telecommunication Levy (2014-2016 Rs. Mn)	48
04.07	International Telecommunication Operator's Levy (2014-2016 Rs. Mn).....	49
04.08	Total Revenue of TRC (2014-2016 in Rs. Mn).....	50

CHAPTER - 01

Origin, Vision, Mission, Objectives, and Responsibilities

Origin

As a legal competence authority, enacted by the Telecommunication Act No; 25 of 1991 as amended by the Telecommunication Act No: 27 of 1996, the Telecommunication Regulatory Commission of Sri Lanka is the responsible government institute for telecommunication regulatory matters in the country. Thereby it has been empowered by the Act to uplift the telecommunication services in the country while ensuring the interest of consumers and the operators.

The Composition and Meetings of the Commission

At present, there are five members in the Commission and the Chairman of TRCSL is the Secretary to His Excellency the President. The Chief Executive Officer is the Director General of TRCSL, who also a member of the Commission. The other three Member who distinguished themselves in the fields of Law, Management and Finance respectively.

During the year of 2016, the Commission met in several occasions to discuss and address the issues related to regulatory matters including Commission's budget administrative issues, hosting of international regulatory conferences etc. The Commission took many important decisions in respect of development of telecommunication industry with the support of private sector during the corresponding year. In these occasions the Commission was able to take necessary decisions and granted approvals considering the merits of the claims.

Vision

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

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.

Interpretation of the Mission Statement

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

Objectives:

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

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. 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.
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.
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
5. To promote the rapid and sustained development of telecommunication facilities both domestic and international.
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.
7. To promote research in to the development and use of new techniques in telecommunications and related fields.
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.
9. To promote the use of Sri Lanka's international transit services.

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 constantly reviewing and reforming the regulatory process, protect the public interest and meet the challenges proactively in an increasingly competitive market. TRCSL does not provide telecommunication 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:

1. Enforcement of the provisions in the Act and adherence to conditions in the licenses issued to the Operators.

2. Foster free and fair competition among the licensed operators.

- Monitor competition to determine whether operators are serving the public interest and engaged in non-discriminatory ethical practices.
- To ensure seamless interconnection between networks and services.
- To establish a general framework of rules that would enable open entry, non-burdensome and transparent licensing.

3. Pricing

Ensure that telecommunication services are reasonably priced, taking into consideration affordability to the general public.

4. Consumer Protection

To have consumer safeguards in place, and to encourage public participation, communication and willingness to listen by conducting inquiries into complaints made by consumers and members of the public.

5. Social Regulation

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

6. Regulation of bottleneck facilities and scarce resources

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

7. High quality telecommunication services

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

8. Promote Good Governance

Ensure a transparent decision making process, encouraging public participation and delivering decisions without undue delay by adhering to principles of natural justice.

9. Ensure that the decisions are fair and impartial.

10. Help to build a civil society by contributing towards making it an “informed” society in this modern information and communication age.

11. Ensure that all operators comply with the requirements laid down by the International Telecommunication Union (ITU) and relevant International Organizations in respect of both equipment and technical standards.

Functions of TRCSL

In order to realize the above objectives, TRCSL engages in the following regulatory functions:

1 Processing applications and granting of licenses

1.1 Licenses to operate telecommunications systems in Sri Lanka under Section 17 of the Telecommunication 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 requirements and these exemptions are stipulated in Section 20 of the Act.

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.

1.3. Vendor licenses under Section 21 of the Act

According to Section 21 (1) of the Telecommunication 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 the TRCSL.

2. Tariff Regulation

2.1. Determine tariffs in consultation with the Minister as specified under Section 5(k) of the telecommunication 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.

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

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

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

5. Responding to consumer complaints and holding inquiries/conducting investigations.

According to Section 9 (1) of the telecommunication 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 telecommunication 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 deemed appropriate.

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

7. Represent the government in international conferences/ international and foreign bodies concerned with telecommunications.

8. Issuance of Orders, Directions and Decisions by the Commission.

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

9. Specifying technical standards for telecommunication apparatus and type approval

Inter Divisional Collaboration

Several divisions have attended to carrying out the functions of TRCSL. The main functions and the performance of the respective divisions in the year 2015 are described in the succeeding chapters. 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 association with and the support of other divisions.

CHAPTER - 02

Profile of Directors and the Senior Management of the Telecommunications Regulatory Commission of Sri Lanka (TRCSL) Year-2016

Commission

Mr. P.B. Abeykoon	- Chairman
Mr. Sunil S Sirisena	- Director General, Member up to October - 2016
Mr. M. Kingsly Fernando	- Director General, Member from October - 2016
Mr. Lalith Senanayake	- Member
Mr. Bandara Dissanayake	- Member
Mr. Hemantha Warnakulasooriya	- Member from August 2016

Principal Staff of the Telecommunications Regulatory Commission

Mr. Sunil S. Sirisena	- Director General, up to October 2016
Mr. M. Kingsly Fernando	- Director General, from October -2016

Commission Office

Mrs. R.S. Goonaratne	- Actg. Secretary to the Commission
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Administration and Corporate Affairs, Economic and Legal Affairs

Mr. Sujana Nanayakkara	- Additional Director -General, Administration & Corporate Affairs
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Administration and Corporate Affairs Division

Mr. W.M.P.P.Weerasinha	- Deputy Director
Mr.V.A.N.Premarathna	- Assistant Director

Finance Division

Mr. M.K. Jayantha	- Director
Mr. A.S. Hapuarachchi	- Deputy Director

Compliance Division

Ms. R.M.T.K.P Livera	- Deputy Director
Ms. H.P.H.M. Pathirane	- Deputy Director

Competition Division

Mr. H.W.K. Indrajith	- Deputy Director
Ms. Sriyani Mawallage	- Deputy Director
Mr. Nishantha Palihawadena	- Deputy Director

Legal Affairs

Ms. G.C.P. Moragoda	- Deputy Director
Ms. R.S. Gooneratne	- Deputy Director
Ms. L.S.P. Rodrigo	- Assistant Director
Mr. I.N. Mathew	- Assistant Director

Spectrum Management Division

Mr. E.N.P.K. Rathnapala	- Acting Director
Mr. L. Ganeshamoorthy	- Deputy Director
Mr. M.C.M. Farook	- Deputy Director
Mr. J.A.S. Gunanandana	- Deputy Director
Ms. S.A.R. Kamalanayana	- Deputy Director
Mr. M.P. Gunasinghe	- Deputy Director

Network Division

Mr. R.G.H.K. Ranathunga	- Director
Ms. K.S.M. Vishaka	- Deputy Director
Mr. S.E. Wakista	- Deputy Director
Mr. I.M. Jawsri	- Assistant Director

Policy and International Relations Division

Mr. M.K. Jayasekara	- Director
Mr. R.M.J.K.B. Ratnayake	- Deputy Director

License Administration Division

Mr. H.P. Karunaratna	- Director (from 16 th August 2016)
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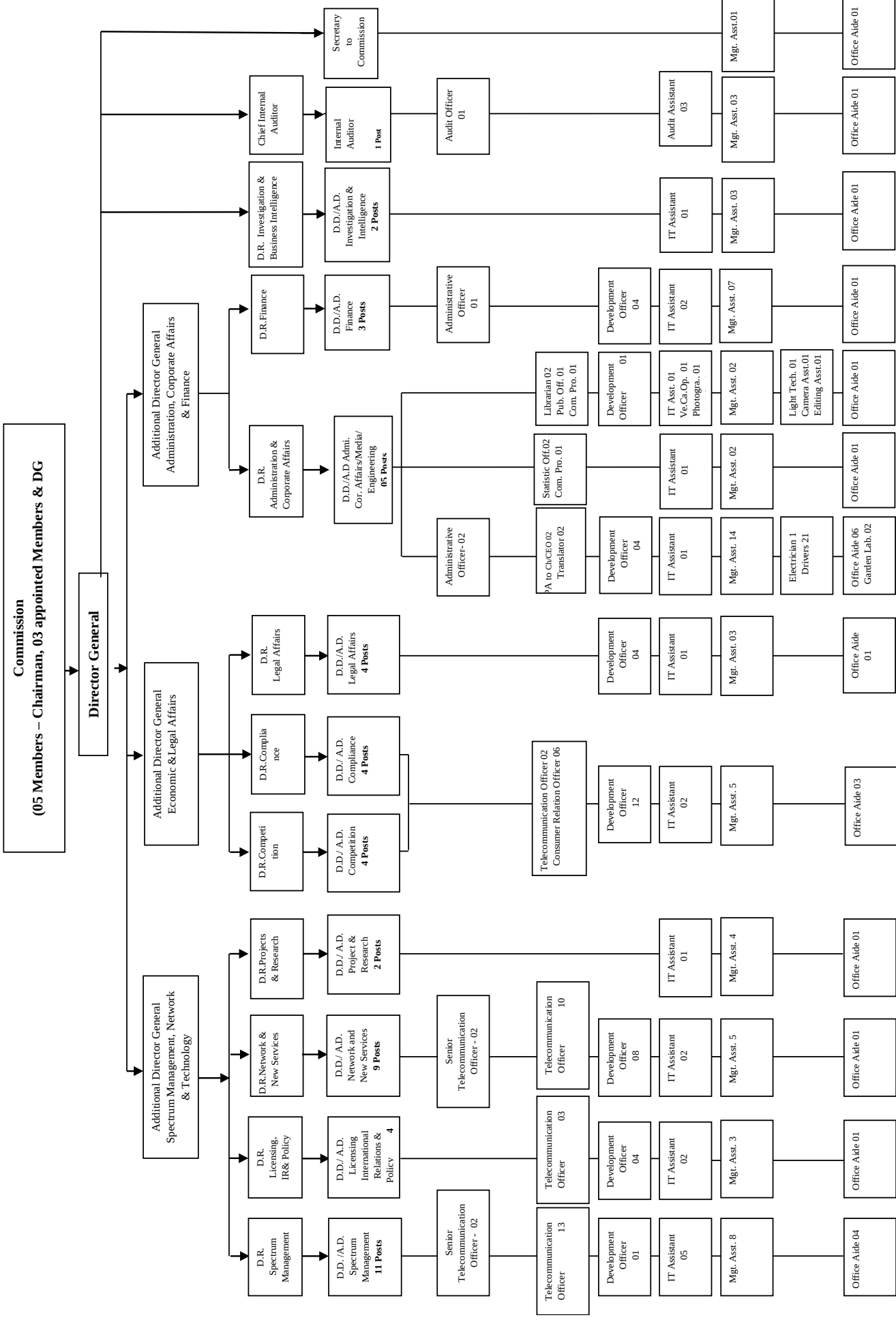
Project & Research Division

Mr. W.D. De Alwis	- Director
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Internal Audit Division

Ms. U.A. Samarathunga	- Chief Internal Auditor
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Organization Structure – T.R.C.S.I



Due to the new technologies and innovations in the field of telecommunication, the Legal Division is facing new challenges to form the regulatory frame work. Therefore continuous studies of various mechanisms and strategies are essential to enforce regulations in the telecommunication field. While paying attention to the challengers, the Legal Division attended to their routing matters such as supporting all the division on their legal matters and be presenting in various Courts of Law where the Commission was a party.

The Compliance Division of TRCSL is a division that pays attention to the issues of general public with the intention of providing better telecommunication service to the customers while considering the issues of service providers too. In this respect the division takes actions against complaints of improper service or malpractices of service providers allowing complainers to claims financial damages when necessary. Further, the division helps general public to find out their lost phones with the help of Police. The TRCSL is firmly believed that the public of the country need awareness programs on the use of telephones and telephone related issues. So, awareness programs were conducted for Police Officers, Grama Niladari and Field Officers considering them as the suitable officers to make aware the general public on this matter. Ministry of Mass Media also used to make aware the public in this manner and the table below gives the details of them.

Table - 03.03
Progress of Awareness programs - Year 2016

	Area	Current Progress
1	Make the people aware on the telecommunication facilities for social and commercial benefit	90%
2	Ensure Consumer protection	95%
3	Ensure resolve customer complaint	90%

The Division of Policy, International Relation and License Administration of TRCSL is a vital division of the Commission that formulates policies required to upgrade the telecommunication sector in the country by adhering to the new trends, technologies and innovations in the field of telecommunication while keeping close links with the supportive international bodies of this field. The Commission is concerned about promoting research studies in this field with the support of concerned universities to bring the best practices in the world to the country. In respect of National Broad Band Policy, with the support of ITU, the Commission laid the ground work for **National Broad Band Plan** in the corresponding year 2016. To encourage investments, allowing competition among operators, using evolving technologies, the Commission developed a frame work for licensing with the support of ITU. A survey was carried out to find out the issues of ‘Connect a school; Connect a community Project’ which helped to school children and special needy people of low ICT developed areas. The problems were lack of provision to obtain internet connection and proper mechanism

to pay bills. The provincial education authorities were made aware of these issues. In order to find remedial action to support “persons with disabilities and persons with special need” an open consultation was arranged through a video conference with ITU “Council Working Group” (CWG) in Geneva allowing local stakeholders too to contribute their views and comments. An another program called **“ITU/NIA International Volunteers (11V) Program 2016”** was coordinated by TRCSL for persons with special need with the support of three teams comprising twelve students of Korean volunteer IT trainers for children with special need and teachers in vocational training centers at Maththegama and Kothalawalapura Maha Vddiyalaya, Rathmalana. The topics such as Adobe Photoshop, Adobe Illustrator, Video Editing, MS Office, Database, and Web Development were among the syllabus and at end a noteworthy progress was shown on the part of students and teachers. In order to formulate an “e-Agriculture Strategy” with the support of ITU and FAO, the TRCSL arranged a “National Consultation Workshop” and its taskforce was comprised members from both government and private sector participants. The implementation of “e-Agriculture Strategy” was held on 2nd December 2016 and Sri Lanka government was in an agreement for the guidelines. The surveys conducted by TRCSL on ITU

World Communication /ICT Indicators Questionnaire and Global Cyber Security Index (GCI) Questionnaire helped to provide and update the concerned Indexes which are used widely by governments, International Organizations, ITU and World Bank. “ICT entrepreneurship for social impact” was the theme of The World Telecommunication and Information Day in 2016 where celebrated its 151st Anniversary and the occasion was complemented by many special messages from His Excellency The President, Hon. Prime Minister, Hon. Minister of Telecommunication and ICT, Secretary General of ITU, Chairman and Director General of TRCSL. To commemorate the occasion, a workshop for school leavers who were interested on IT also conducted with support of concerned parties. For the purpose of finding career opportunities for girls and women for their living, programs on digital skills were conducted. As a social obligation, in the event of landslides in May 2016 in the country, TRCSL handed over many emergency telecommunication equipments to Disaster Management Center as a support since the telecommunication lines and the roads were damaged. During the year under review, to avoid the interferences, relevant administrations were informed on satellite notification/coordination. The paying of contributions and subscriptions to relevant international bodies is subject to gain more benefit to the country, including training programs on capacity building in human resource and technology, technical assistance, project facilities, fellowship opportunities etc. The total payment made during the year was Rs.29.1 million. This division has responsibility to coordinates the visits of foreign experts who are on promotional telecommunication regulatory matters. During the year 2016, the division has issued a new license on Direct To Home satellite to Satis Pvt. Ltd, Fixed

wireless license of Dialog Broad Band Network Pvt Ltd renewed, Integrated Transmission Net Work of Dialog Axiata PLC is processed, fixed wireless license of Lanka Bell Ltd is processed, and DTH licenses of Us Cable Pvt Ltd, Dis TV Lanka Ltd, E.A.P Edirisinghe Pvt Ltd were processed.

TRCSL, through the Division of Project and Research, to have a sustainable and effective telecommunication industry in this country, has planned and engaged in number of projects which are in progress at the moment. The Colombo Lotus Tower Project is a marvelous creation of modern technology, which has numerous attractive facilities such as shopping arcades, revolving restaurants, high elevation observation desk, state guest house, banquet halls, and open space to visitor entertainment in addition to the telecommunication facilities. These facilities are meant to tower operation. It provides facility to conduct digital video services for the first time in the country and able to co-locate the FM broad casting and telecommunication services. This facility is unique because it paves the way to transmit digital terrestrial TV broad casting enabling entire population to watch TV channels without outdoor antenna. The construction work of the project has been planned to complete by end of 2017. The Hambantota IT Park was originally planned to accommodate 100,000 work force with variety of facilities and later changed to provide more opportunities to global and regional IT giants as well as to medium and small scale entrepreneurs.

The Competition Division of TRCSL is entrusted to ensure the wellbeing of the consumers by providing an efficient telecommunication service with an affordable level of price and quality of service. In the meantime, the division considers the operator's interest also to maintain a fair competition among them to have a price reduction with a quality service. For this purpose, the division takes charge of regulatory matters of tariffs, monitors interconnection services, publishes industry information, analyzes operator performance and provides necessary advice to the parties concerned. Collecting telecommunication levy, international telecommunication levy and Cess are also responsibilities of this division. The foreign experts in the field of evolving telecommunication are being encouraged to visit Sri Lanka to upgrade the networks and other telecommunication services and the division process such visas. During the year 2016, the industry total turnover was Rs.193.2 billion and 95% of these earnings were collectively contributed by five mobile operators and three fixed access operators.

Table - 03.04
Total Industry Revenue of Mobile and Fixed Access Operators 2015-2016
(Rs. Million)

Category	2015	2016	% change 2015-2016
Mobile	125,120	137,894	10%
Fixed Access	51,138	55,321	8%
Total	176,258	193,215	10%

Continues investments were shown in the year 2016 and the amount was Rs.82.8 billion.

Table- 03.05
Mobile and Fixed Access Operators Investments 2015-2016
(Rs. Millions)

Category	2015	2016
Mobile	22,703	26,132
Fixed Access	26,245	56,641
Total	48,948	82,774

The successful operation of these eight operators paved the way to price reduction and quality service. The mobile subscriber base gained 8% growth despite a 2% decline in fixed operators.

Table - 03.06
Number of Mobile and Fixed Access Subscriber bases for the period 2015-2016

Category	2015	2016	% change 2015- 2016
Mobile	24,384,544	26,227,631	8%
Fixed Access	2,601,196	2,550,432	-2%
Total	26,985,740	28,778,063	7%

The average revenue per user also showed a 2% increase in respect of mobile operators and 10% in respect of fixed operators in the corresponding year.

Table- 03.07
The ARPU of Mobile and Fixed Access Operator for the period 2015-2016

Category	2015	2016	% change 2015-2016
Mobile	5,131	5,258	2%
Fixed Access	19,659	21,691	10%

The net profit after tax was in increase in the year under review with regard to both mobile and fixed operators which was Rs.3, 532 million.

Table- 03.08
Net Profit/(Loss) After Tax 2015-2016 - (Rs. Million)

Category	2015	2016
Mobile	-3,552	3,426
Fixed Access	898	106
Total - Mobile and Fixed Access	-2,654	3,532

The 25% telecommunication levy imposed in 2014 could collect Rs.30, 339 million and cess collected Rs.4,121 millions in the year 2016. Due to heavy usage of Over The Top voice applications, the international voice traffic usage dropped rapidly and the revenue of TDC (Telecommunication Development Charges) levy decreased by 5%. This situation lead to increase the relevant levy by 100% and the total collection on this levy was Rs.8, 689 million during the year. The Out Going Local Access Charges (OLAC) could collect a sum of Rs. 1,125 million in the same year. The telecommunication operators of the country are allowed to submit two types of tariff plans on long term basis and promotional basis. The long term basis is to continue the operators plan on their own discretion till a termination or revision is introduced by the Commission. The promotional basis one is limited to maximum period of three months because the operator is uncertain about the market on this situation. During the year 2016, 128 tariff applications processed and approved which included 17 long term basis as well.

The Administration Division of the Commission is fully entrusted to its assigned duties and attended to all matters arisen during the year 2016 as described in the reports of division wise reviews.

The Internal Audit Division is an integral unit of the Commission that helps the organization to function efficiently and smoothly. The division helps the top management in the instances of operation, deterring and investigation of frauds, safeguarding assets while adhering to the government rules and regulations while facilitating the General Audit. During the corresponding year there were four Audit Committee Meetings held and in these meetings 34 queries were discussed and actions were taken accordingly.

The financial progress for the year 2016 of TRCSL was satisfactory. While showing an increase in income generation, specially the following financial areas of the Commission also shown a considerable upward trend during the year concerned.

	2016	2015	
Licenses fee	15,859	11,654	Increase 36%
Telecommunication levy	30,346	24,859	Increase 8.9%
Telecommunication Development Charges	8,690	5,865	Increase 48%
Total Sundry Investment	2,295	1,117	Increase 105%

The Telecommunication Regulatory Commission of Sri Lanka, as a responsible government institute, has dedicated and rendered its service to the nation of the country and to the community of telecommunication as per the inspirations that should have. In this endure; the service extended by the private sector is highly appreciable and motivational. The support given by the dedicated staffs of the Commission was a great help to achieve the expected goals.

CHAPTER - 04

Division wise performance reports for the year 2016

Network Division

The Network Division of The Telecommunications Regulatory Commission of Sri Lanka (TRCSL) is entrusted to handle regulatory issues in relation to the public and private telecommunication networks in Sri Lanka. In terms of the telecommunication Act, No. 25 of 1991 as amended by Act No. 27 of 1996 the areas that come under the purview of Network Division are as follows:-

1. National numbering plan for public telecommunication network.
2. Assigning signaling codes and network codes.
3. Object identifiers.
4. Infrastructure deployment.
5. Licensing of telecommunication equipment vendors
6. Issuance of type approvals certificates and custom clearances for network equipment.
7. Introduction of new technologies to the telecommunication network in Sri Lanka.

National numbering plan constitutes the national resource of the country and therefore require an efficient management and administration system. The numbering is used for identification of entities need in telecommunication services as well as for routing and billing purposes.

Facilitation of deployment of telecommunication infrastructure is one of the main functions of network division. The Net Work Division serves by giving approval to both public and private sector entities in instances when they need to expand their existing network or to introduce new services using new infrastructure facilities. In this connection the network division pays its attention to the following matters and issues.

1. Coordination with government organizations such as Ministry of Defence, Central Environmental Authority, Urban Development Authority etc.
2. To compliance to the Antenna Structure Management System (ASMS) software when processing antenna erection applications.
3. Facilitating licensed telecommunication operators.
4. Conducting public awareness programs.
5. Handling complains on infrastructure deployment.
6. Study, make recommendations and submit report of infrastructure proposals.
7. Revise the guide lines on antenna structure when necessary.

During the year 2016, the cumulative number of towers increased up to 6727 which includes 163 new towers constructed in 2015. At the same time the network division was able to conduct ten awareness programs.

Illegal operations of cable TV services also one area where network division pays its attention and control as per the section 22(A) 1 of the telecommunication act with the help of Criminal Investigation Department (CID) of Police.

Any telecommunication apparatus which are connected to a telecommunication system must obtain the type approval from TRCSL as per the section 5(q) of the act. In this connection a mandatory procedure has been introduced by network division to be followed by the importers of relevant equipment in order to get the authorization letters to submit customs, BOI, and Import controller etc.

During the year 2016 a total number of 20 new type approvals and 4404 number of import clearance letters were issued while 25 number of individual dealer letters were issued.

Type Approval & Equipment Clearance

Networks Division continued the regulatory function entrusted to the Division in respect of processing of requests made for the issuance of type approvals and clearance letters for importation of network related equipment.

As per the section 21 of telecommunication act TRCSL has been empowered to issue vendor licenses to deal telecommunication or radio equipment in Sri Lanka. Without this license no persons shall import, sale, offer for sale, deal in hire, lease, demonstrate, maintain or repair, any such equipment. A firm procedure has been introduced by network division in this connection. During the corresponding year 833 vendor licenses have been issued by the division. Further the network division is conducting investigations with the help of police of illegal vendors who sell illegal telecommunication equipment including mobile phones.

The following tables of network division show the statistics related to year 2016.

Table - 04.01
Statistics Related to Network Division for 2015-2016

Description	2015	2016
Total No. of Vendor licenses issued	851	833
Cumulative No. of Towers constructed	6564	6727
Total No. of Tower complaints received	122	101
Total No. of investigations handled(Tower related)	51	55
Total No. of court cases related to towers	2	0
Total No. of public awareness programs held	11	10
Total No. of New Type Approvals given	20	20
Total No. of issuance of Import clearances	3304	4404
Total No. of Individual Clearances	18	25
Cumulative No. of New Short codes issued	52	62

Since the introduction of 13XX range using of short code, the demand for short codes of both government and private sector organizations was high during the corresponding year. The short code provides better services to customers and to promote their business as well. The following tables give the details of short codes issued to government and private sector organizations.

Table - 04.02
Short Codes Assigned in 2016

For Government Organizations

Organization	Short Code
Ministry of Mega polis & Western Development	1917
Strategic Enterprise Management Agency	1916
Agriculture Ministry (Agricultural & Agrarian Insurance Board)	1918
Ministry of Education	1975
Emergency Pre- Hospital Care Ambulance Service	1990

For Private Sector Organizations

Organization	Short Code
Rathnapura Hospitals & Laboratories (Pvt) Ltd	1322
Perpetual Treasuries Limited	1343
Dialog Axiata Plc (Genie)	1369
Link Lanka	1314
Smart Travel International (Pvt) Ltd	1345

Constructions of telecommunication towers also an area that network division has been empowered to look after and in the year 2016, the cumulative number of telecommunications towers Construction reached up to 6727.

The complaint against construction of towers by general public is one important matter that the network division has to attend promptly. 101 such complaints were received and 55 investigations were carried out during the year 2016.

The network division is very much concerned about the public awareness with regard to the issues such as antenna tower related electromagnetic radiation and lightning. With the assistance of professional in this field, the network division was abled to conduct 10 such public awareness campaigns in the year 2016.

The network division has to pay attention to ensure that the quality and relevant telecommunication equipment are prevailing in the market and therefore issuing of vendor licenses for telecommunication equipment for vendors handle with much care.

Spectrum Management Division

The radio frequency spectrum is being a scare national resource, The Telecommunications Regulatory Commission of Sri Lanka (TRCSL) has been empowered as the sole lawful authority to control to use the radio frequency spectrum and matters relating to the stationary satellite orbit and excise the powers vested as per the telecommunications Act, No. 25 of 1991 as amended by Act No. 27 of 1996 in Sri Lanka. According to section 22 of the Act, the TRCSL is the authority to issue licenses for users of radio communication services, conserve the radio spectrum

and enforce compliance with rules to minimize electro - magnetic disturbances produced by radio communication installations.

The following activities are the major concerned areas of spectrum division.

1. Allocating frequency bands
2. Assigning frequencies.
3. Establishing regulators, technical parameters and standers for radio spectrum and use of satellite orbit.
4. Spectrum planning.
5. Defining technical standards for radio communication equipment.
6. Proper management of the spectrum.
7. Monitoring and controlling of radio spectrum.
8. Approval for Radio Terminal Equipment (RTE)
9. Conducting inspection with regard to radio communication
10. Regional and international coordination and cooperation.
11. Maintenance of Master Frequency Register (MFR)
12. Making necessary arrangement to accommodate emerging new technologies and services.
13. Ensure free interference use of authorized emissions.
14. Collecting spectrum fees.
15. Conducting mature radio and Global Maritime Distress Safety System (GMDSS) examination.

No person can use a radio frequency without a valid license from TRCSL and the conditions of the license also differ from service to service. In the instances of breach of these conditions, sealing the equipment or revoke the license may take place as remedial measures.

The services of the spectrum division also divided into several categories depending on the characteristics of the radio waves and the parameters of the equipment. In order to reduce radio interference that disturb the licensed spectrum uses, TRCSL has to make sure that the equipment are complied with necessary standards, when importation clearance are requested by individual or companies. Although this system was in place there were interference complains from users during the corresponding year and they were identified and remedial actions were taken. The details of frequencies and licenses issued, clearance reports issued, interference complains received and unauthorized users identified are given by the following tables.

Table - 04.03
Number of Frequencies Assigned in 2015 - 2016

Category of Service	No. of Frequencies	
	2015	2016
<i>Fixed service</i>	1914	1243
<i>Broadcasting service (Television and Radio)</i>	39	52
<i>Cellular Mobile Service</i>	0	0
<i>Data / Radio Telemetry</i>	4	2
<i>Aeronautical & Maritime Service</i>		
(i) <i>Maritime Mobile Service</i>	0	0
(ii) <i>Aeronautical Mobile Service</i>	0	0
<i>Private Mobile Radio Service</i>	37	42

Table - 04.04
Number of Licenses Issued for Spectrum Users in 2015 - 2016

Category of Service	No. of Licenses	
	2015	2016
<i>Fixed service</i>	121	122
<i>Broadcasting service (Television and Radio)</i>	40	54
<i>Cellular mobile service</i>	5	5
<i>Trunking / Paging/ Citizen Band</i>	4	7
<i>Data / Radio Telemetry Service</i>	11/16	15/33
<i>Aeronautical and Maritime Services</i>		
(i) <i>Aircraft stations</i>	72	76
(ii) <i>Ship stations</i>	84	92
(iii) <i>Maritime mobile</i>	1319	1112
(iv) <i>Aeronautical mobile</i>	4	11
<i>Private mobile radio service</i>	247	252
<i>Satellite License (new + renewal)</i>	18	13
<i>Amateur Radio</i>	11	17

Table - 04.05
Complaints Received and Investigations Undertaken in 2016

Service	No. of Complaints Received		No of Investigations Undertaken	
	2015	2016	2015	2016
<i>TV and Broadcasting</i>	07	06	07	06
<i>Other Services</i>	22	18	22	18

Special frequency monitoring equipment was used to detect illegal users of radio spectrum. This equipment was installed in an especially designed vehicle for that purpose. Table below shows the number of identified illegal users of frequency spectrum for the period 2016.

Table - 04.06
Number of Illegal Users Identified and Preventive Action Taken in 2015 - 2016

Category	No. of Illegal Users Identified		Action Taken
	2015	2016	
<i>Broadcasting service (TV and radio)</i>	03	03	<i>Action taken to prevent the illegal use</i>
<i>Other services</i>	00	01	

Table - 04.07
Number of Clearance Reports Issued in 2015 - 2016

Category of Service	No. of Clearance Reports	
	2015	2016
<i>Fixed service including CDMA</i>	654	1243
<i>Broadcasting service (TV and Radio)</i>	270	232
<i>Cellular Mobile Service</i>		
<i>(i) Dealer License</i>	5911	4933
<i>(ii) Mobile operators</i>	1308	1341
<i>(iii) Trunking / Paging / Citizen Band</i>	47	29
<i>(iv) Private Mobile Radio</i>	812	940
<i>Aeronautical & Maritime Service</i>		
<i>(i) Aircraft Station</i>	14	12
<i>(ii) Ship station</i>	14	03
<i>(iii) Maritime Mobile</i>	90	175
<i>(iv) Aeronautical Mobile/Aeronautical navigation</i>	7	11
<i>Data service / Radio Telemetry</i>	242/20	125/07
<i>Satellite service</i>		471
<i>Amateur Radio</i>	21	35
<i>Low Power Devices</i>	1900	1858

In order to assure interference free radio communication service and to detect and mitigate of interference, the spectrum management division has established regional monitoring stations at Colombo, Kadirana and Kandy with a Spectrum surveillance vehicle which has access to the system and able to operate remotely. In addition to the above system, a modern High Frequency Direction Finding (HFDF) and monitoring system has been in place at Kadirana.

In the meantime, the TRCSL has taken step to address some of the long standing issues which are needed to upgrade, revise, develop or modernize to suit the present situation. Therefore, as the way forward of spectrum management division a system has been worked out consisting following plans for the year 2017.

1. Conditions of license have to be renewed or revised to face the requirement of enforcement entities.
2. The charges to be revised since the present day rate are not revised more than 20 years.
3. Develop the method to evaluate up Front Fee for both mobile and fixed operators.
4. Update the spectrum allotment plan to suit the present radio law.
5. To have an adequate staff, sufficient space and expertise to render a better service.
6. To have a proper Master Frequency Register (MFR) to integrate dispersed data to combine a common format as per international standards.

Legal Division

By adhering to both the rules of natural justice and principals of law, the legal division of TRCSL pays a vital and important role for the Commission by providing advice in all legal and regulatory issues. And this division manages and appears in law courts in all litigation matters in which the TRCSL is a party. Since the changing environment in technologies, innovations, and the trends of the telecommunication field, the present regulatory frame work is a challenge to the legal division. Therefore, continues analyses and studies of various mechanisms and strategies are required to enforce the regulations in the telecommunication sector.

The functions of the legal division can be listed as follows

- Provide legal opinion/advice to the Commission on matters/documents requiring such opinion
- Draft rules, regulations, orders, directives, guidelines and licenses for the Commission
- Refer matters relating to litigation to the Attorney General or the Private Counselors
- 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 18A of the Sri Lanka Telecommunications Act

- Provide legal support to other Divisions when taking Regulatory action & enforcement measures under the Sri Lanka Telecommunication Act and the Finance Act. No. 11 of 2004
- Provide legal assistance to other institutions on Telecommunications related matters
- Participate in many committees, discussions to assist the Commission in making regulatory decisions on numerous issues.
- Assist law enforcement authorities to investigate many cases through licensed operators.

Matters such as frequency licensing, vendors licensing, tariffs, compliance issues, consumer and awareness matters, house legal matters are needed legal support and advice. In the year 2016, in several instances regulatory steps were initiated by legal division. There are few pending cases before Supreme Court, court of appeal, district court and commercial court in connection with frequency, revocations, licensing, on compliance with regulations and guidelines, and money recovery matters. Labor related matters have been filed in the labor tribunal, industrial courts and human rights Commission. In the instance of violations of telecommunication act prosecutions also taken by legal division. There was an increase in assisting to police for their investigations related to court orders processing.

Compliance Division

Consumer Complaints and Public Awareness

As per the provision of telecommunication act of Sri Lanka the subscriber are allowed to make complaints against any service provider at the instances of improper telecommunication service. The subscribers are also can claim financial damages or make rectification to the matter which caused to the complaint. In this respect, to overcome the mal-practices of service providers and to address the issues of subscribers, the compliance division of TRCSL has been in execution of relevant remedial measures.

As one step, the compliance division handles corresponding complaints promptly and directs the service provider to rectify the matters which should be an amicable solution to the both parties. The other important service is to help general public in the process of finding loss mobile phones, which is a social obligation of TRCSL. And average of 250 complaints receive daily on loss phones and this division has been abled to recover many lost mobile phones during the last year with the help of police.

At the same time the TRCSL is in belief that the general public of this country is needed proper awareness on the use of telephones as well as other related issues. In order to educate the general public on this matter, a wide range of awareness programs were conducted by compliance division covering police officers and other concerned government officers during the year 2016. One day workshop for police officers who engaged directly on telecommunication matters has been arranged by this division and during the year 6 numbers of such workshops were conducted. Delivering lectures at police academy at Katana, Kalutara, Mirihana, Special task force Colombo and Army on this issue took place during the year 2016.

The other public officers such as Grama Niladari, Development Officers, Field Officers who have direct contact with the community and able officers to convey the message have been considered as the suitable officers for awareness programs and conducted 66 numbers of such awareness programs at Divisional Secretaries officers.

As part of awareness programs TRCSL has been able to publish approximately 100 numbers of newspaper articles in the year 2016. TV programs also have been launched to educate public about the basic information and legal framework of the matter. To educate about the ethical use of phones and use of communication TRCSL has circulated leaflets and posters also. At the same time TRCSL has been engaged in preparing a customer protection guidelines to create customer friendly environment.

The chart below is an indication of the progress of compliance division for 2016

Table - 04.08
Progress of Compliance Division in Year-2016

	Objective		Activities	Details	Current Progress
1	Make the people aware on the telecommunication facilities for social and commercial benefit	1.1.	Awareness Programs	1. Conduct awareness programs for Police Officer	90%
				2. Awareness program for Grama Niladari	
				3. Police officers - Training college	
				4. Government Office	
		1.2.	TV/ Radio Programmes		
		1.3.	News Papers		
		1.4.	Advertisement/ Announcement	Handed over to DG	
		1.5.	Poster/ Leaflet		
2	Ensure Consumer protection	2.1	prepare guidelines	in progress	95%
		2.2	Implement guidelines	in progress	
		2.3	Study the existing consumer protection	completed	
3	Ensure resolve customer complaint			continue process	90%

Compliance Division

Quality of Service (QOS) and Surveillance

Quality of Service (QOS)

Functions

- Monitor the adherence to QOS Standards set out in the License and the Interconnection Agreements by PSTN Operators.
- Monitor the achievement of QOS Parameter Target Values set by TRCSL for PSTN Operator's network performance.
- Preparation of a report on comparison between measured Quality of Service (QoS) Parameter values by PSTN Operators for voice services and the audited values by the TRCSL.
- Circulating the comparison report among PSTN Operators for information and improvement of the accuracy of performance measurements
- Evaluate the accuracy of QOS performance measurements made by PSTN Operators by conducting periodical audits

Activities / Tasks Carried out in 2016

- Analyzing submissions of monthly QOS reports received from PSTN Operators and discuss with them for improvements of the QOS parameters where necessary
- Preparation of comparison report for 3Q2015 and circulated among PSTN Operators for information and improvement of the accuracy of performance measurements
- PSTN Operators obtain performance measurement data from the Network Counters and compute according to the equation given by TRCSL, and report back in the form of a QOS Parameter. TRCSL visited the operator's network and reevaluate the computational methodology and the raw data obtained from Network Counters for the calculation of QOS Parameters.

Surveillance

Functions

- Monitor the adherence to the terms and conditions of the license issued by the TRCSL under Section 17 of the Sri Lanka Telecommunications Act No. 25 of 1991 as amended, by PSTN Operators
- Monitor, analyses and adopt regulatory measures to control the offer of unapproved tariff packages by licensed PSTN Operators
- Investigate complaints into illegal call termination to the networks of licensed operators and take appropriate regulatory action as deemed necessary
- Conduct investigations into the sale of non-type approved telecommunication apparatus by license holding vendors and take appropriate measures if the findings reveal infringement of the terms and conditions of the license
- Monitor and investigate into the illegal sale of telecommunication equipment by vendors lacking a valid vendor license issued by TRCSL and upon any finding of illegal conduct take appropriate regulatory measures as deemed necessary

Activities/Tasks Carried out in 2016

- Investigations into 98 complaints on illegal call termination by licensed operators have been completed
- Investigations into 04 instances of sale of non-type approved telecommunications by vendors have been completed
- Investigations into 43 instances of offer of unapproved tariff packages by licensed operators have been completed

Broadband Unit

Functions

Speed has emerged as the single most commonly cited metric for characterizing the quality of

broadband offerings. Being the Regulator for the telecommunication industry, TRCSL is moving forward with its national broadband initiatives, is desirous of making

accurate information about the quality of broadband services available to consumers. The concern about accurate information is two-fold: first, it is a matter of consumer protection; second, such information will encourage service providers to improve their broadband services in the face of competition.

In this context, on behalf of TRCSL, the University of Moratuwa has designed a tool to enable the evaluation of broadband services in terms of download speed. The tool has two components:

1. Download speed measurement via the TRCSL Web site to be used by consumers

(the *On-line Speed Test – MySpeed*)

2. Download speed monitoring of broadband services to be used by the TRCSL (ISP's *Internet Speed Test – NetSpeed*)

Two separate web-based applications are implemented to facilitate the above requirements and

applications. The back-end of the system is designed as a ReST (Representational State Transfer) service on *Node.js*, a server side platform built on Google Chrome's JavaScript Engine (V8 Engine).

Node.js has the following features which facilitates smooth running of networking applications;

- Asynchronous and event-driven
- Rich library of various JavaScript modules
- Very fast in code execution
- Single Threaded but Highly Scalable

To use this service client needs to use an HTML 5 enabled web browser

The web applications to measure the speed of the Internet connectivity are hosted in the web server owned by TRCSL in Singapore. The database server is hosted in the same server. Downloadable files of different sizes are located in three different locations i.e. in the same hosting server in Singapore, and file servers owned by the TRCSL in the USA and Netherlands.

Main objective of '*MySpeed*' application is to allow Internet users to measure their connection speed. User can download a file according to their preferences. The application is accessible to the end user who needs to measure the speed of his/her

Internet bandwidth, through any web browser by either click on the on the speed test Icon displayed in the official website of the TRCSL (www.trc.gov.lk) or directly accessing the speedtest application URL (<http://speedtest.trc.gov.lk>).

“Net Speed” is intended to be used by the TRCSL to measure the speeds of the Internet links

provided by each Internet Service Providers(ISP). The application is designed to run with minimal human interaction as it needs to be run automatically at regular time intervals. The basic architecture of this application is similar to the *My Speed* application uses the same resources for hosting the application and the database. However, the *NetSpeed* application is run on specific PCs/Laptops with given ISP network connections. The application was designed to run on a browser which downloads a pre-defined file from a pre-defined location. The browser is set to run the application at regular intervals. The URL of the service will include both the IP Address of the hosted server and a pre-defined port. At each run time, the statistics related to the file download and the Internet speed will be saved to the database. Test results is displayed in the website of the TRCSL (www.trc.gov.lk) on daily basis.

Policy, International Relations and License Administration Division

The Policy, International Relation and License Administration Division of TRCSL has been organized to formulate policies relevant to telecommunication sector and assists the Commission in local and international regulatory activities. The division involved in planning and organizing research studies with the collaboration of concerned universities to fulfill the requirement which is to promote research in to development and use of new techniques in telecommunication and related fields. In this connection the division under takes a wide range of telecommunication development projects with the support of international organizations and stakeholders. And through projects initiation, the division assists to implement international best practices.

The functions of the division are categorized as follows,

Policy

1. Policy advise for telecommunication sector.
2. Research studies with the assistance of concerned institutes.
3. Projects

International Relation

1. Coordinating the international participations of TRCSL.
2. Internal circulation of international information.
3. Gathering of information locally or international organization.
4. Provide relevant information to International Organization.

License Administration

1. Implement the section 17 of the TRCSL act no 25 1991 in relation to the licenses.
2. Assessment of license applications.

In respect of policy matters and to see a better connected Sri Lanka with new innovations in technologies, the TRCSL has appointed a committee which study the requirement of the forward looking “National Broadband Policies” and “National Broadband Plan” and a “Strategic Plan”. This was laid with the support of ITU experts, subsequent stakeholder’s consultations and a workshop was held for the purpose. Thus TRCSL has initiated the ground work to formulate a National Broadband Policy in Sri Lanka.

As a result of the request made by TRCSL, the ITU assisted to develop a licensing framework in keeping with current international trends, and obtaining necessary inputs of licensed operators. This practice was to obtain maximum benefits through the use of evolving technologies and promote effective competition among operators and encourage investments in the telecommunication sector in Sri Lanka.

A telephone survey was carried out through ITU/TRCSL assisted project of “Connect a School; Connect a Community Project. It was formulated to support school children and children with special need in low ICT development areas and 8560 students of 33 schools were benefited through this project. The survey was to identify the issues related to the project and some of the findings helped to rectify the issues encountered. Obtaining provision for internet connection to underserved areas and proper mechanism to pay internet bills were some of the issues found and arrangement was made to be solved those issues with the assistance of provisional education authorities.

In order to address the issues related to person with disability and special needs which is a main stream across the organization in policy, regulatory and technical areas, and ITU has launched an open consultation on “Access to the internet for the person with disability and special needs”. The TRCSL, as a responsible institute, actively participated and necessary contribution has been made through video conferences to the ITU “Council Working Group’ (CWG) in Geneva. And also the local stakeholders also contributed to this online open consultation by providing their views and comments as a response to the request of TRCSL.

With the view of enhancing ICT knowledge and skills of person with special need in Sri Lanka, TRCSL coordinated “ITU-NIA International IT volunteers (11 V) program 2016” with the collaboration of ITU and NIA of Korea. There were 3 teams of Korean volunteer IT trainers comprising 12 Korean students and they conducted IT training programs for children with special need and teachers at Sevana Special School Pitakotte, Vocational training center Maththegama and Kothalawalapura maha Vidyalaya Rathmalana.

The syllabus of this ICT program included topics such as Adobe Photoshop, Adobe Illustrator, Video editing, MS office, Database and Web development and at the end of the training program a noteworthy improvement were shown on the part of students and the teachers. The volunteer service of these 3 teams was highly appreciated by ITU at the final evaluation of this program.

With the assistance of TRCSL, ITU and FAO arranged National Consultation Workshop on “e- Agriculture strategy” guidelines for Sri Lanka, since ITU and FAO selected Sri Lanka as the suitable country to implement guideline out of other countries in the region. In this respect, a taskforce was set up comprising members from Ministry of Agriculture(MOA), and TRCSL, Information and Communication Technology Agency (ICTA), and Department of Agriculture. Fixed and Mobile Telecommunication operators were also participated in this matter and the technical support was provided by FAO office in Sri Lanka. And the strategy has been approved by Sri Lanka government and the implementation workshop of “e- Agriculture strategy” was held on 2nd December 2016 which was organized jointly by FAO, ITU and DOA.

In the corresponding year 2016 TRCSL was able to conduct a survey on ITU World Communication/ICT Indicators Questionnaire and Global Cyber Security Index (GCI) Questionnaire to collect and update global ICT development index, which is a index extensively use by governments, International Organizations, Bank and Private sector analytics worldwide, and provided data updated world telecommunication ICT indicators Database, ITU and World Bank Publications etc.

The Global Cyber Security Index (GCI) questionnaire survey which covers legal, technical, organizational, capacity and cooperative measures and intent to measures commitments of countries to cyber security was conducted with the support of Computer Emergency Readiness Team(CERT) and Tech CERT and submitted to ITU.

The Occasion of “The World Telecommunication and Information Society Day” (WTISD) themed “ICT entrepreneurship for social impact” in 2016 was celebrated it’s 151 anniversary on this day with the participation of member states and made aware of public through print and electronic media about the theme. Special messages from

H. E the President, Hon. Prime Minister, Hon. Minister of Telecommunication and ICT, Secretary General of ITU, Chairman and Director General of TRCSL were published in the TRCSL Web. A workshop for school leavers who were interested in IT subject conducted by TRCSL with the participation of Senior academics of universities , Senior Officers TRCSL and Telecommunication Operators.

Another Interesting program which was for girls and women about importance of digital skills for a successful carrier in ICT, conducted as a joint effort of MOE and TRCSL in all the provinces except Eastern Province.

In the event of flood and landslides relief operation in May 2016, TRCSL officials liaised with ITU and deployed emergency telecommunication equipment since the structure of telecommunication power lines and roads were damaged. Satellite phones, satellite broadband terminals and accessories were handed over to disaster management center.

To avoid interference over our proposed orbit slot by other administration, satellite notification/coordination have been done by TRCSL with the support of ITU and effected administration were notified as per the radio regulation.

By paying and contributing subscriptions and member fees to international organizations of telecommunication other relevant institutions, TRCSL as the representor of GOSL gains immense benefits such as technical assistance, training

programs, project programs, fellowship opportunities for capacity building in both human resource and technology. The contribution made during the year 2016 is show in the table given bellow

Table- 04.09
Annual Subscription and Member Fees for 2016

Name of the institution	Subscription (LKR)
International Telecommunication Union (ITU)	22,317,680.62
Asia Pacific Telecommunity (APT)	2,080,912.20
Commonwealth Telecommunication Organization	4,228,300.30
South Asia Forum for Infrastructure Regulation	545,610.71
Total	29,172,503.83

The division coordinates the visits of foreign delegates who are on telecommunication regulatory activities, training matters, expert assistances, events and courtesy visits.

Issuance of new license, renewal, and processing of application in 2016 on Direct To Home (DTH) satellite services, fixed wireless license, other license are shown below.

SATIS Pvt Ltd – DTH license issued for 5 years

Dialog Broadband Network Pvt Ltd-Fixed wireless license renewed

Dialog Axiata Plc- Integrated Transmission Network of digital microwave links and Optical fiber cables license processed.

Lanka Bell Limited- Fix wireless license processed.

US cable (Pvt) Ltd- DTH license processed.

Dis TVL Lanka Pvt ltd- DTH license processed

EAP Edirisinha Pvt Ltd- DTH license processed.

Project and Research Division

The project and research division of TRCSL has planned and engaged in number of projects that facilitate and orient the development of a sustainable and effective telecommunication industry in Sri Lanka. At present the division is entrusted to carry out three major projects in addition to the all other projects activities.

Major Projects of TRCSL

No	Project	Value	Status
1	Colombo Lotus Tower	USD 104.3 Mn	In Progress
2	Hambantota Telecommunication Media Centre	Rs 2.4 Billion	Scope downsized, arrangements are being made to complete the Project effectively.
3	TRCSL Head Office Modernizing existing Building with addition and alterations	Rs 502 Million	Cabinet approval received. Design & Preparation of Tender Documents completed

In addition , to the telecommunication facilities, the Colombo Lotus Tower (LT) is Providing number of modern attractive facilities such as shopping arcades, revolving restaurants, high elevation observation deck, state guest house, banquet halls, open space to visitor entertainment etc. It facilitates to conduct digital video services for the first time in Sri Lanka and serve as a co-location of FM broadcasting and telecommunication services. This facility paves the way to transmit digital telestial TV broadcasting service to entire population to view channels without out-door antenna. The addition of high elevation reviewing desk, restaurant, shopping space are to ensure sufficient income to maintain the tower operation.

Though Hambanthota IT Park was planned to accommodate over 100,000 work forces in a variety of facilities and employees originally, now it has been planned to accommodate global and regional ICT giants as well as small and medium scale enterprises and entrepreneurial ventures too. And also it provides facilities to higher education opportunities for local and foreign students to turn out as IT specialists.

The functions of Project and Research division have been framed as to gain more benefits to TRCSL as well as to telecommunication sector of Sri Lanka. Coordination with contractors and concerned government and private institutes, representing TRCSL in project matters and making aware of Director General and officials of TRCSL, obtain Commission approvals for project matters, procurement matters, preparation of cabinet papers, site visits , management of payment, loans, materials, land, visa, documents, coordination of JICA , IT solution for LT project and attend to directions of Director General are some of the main functions of this division.

The progress of the LT project is considerable and satisfactory. The tables bellow give the picture of the current progress.

Table- 04.10
Colombo Lotus Tower Construction Progress

Construction Progress

Description	% Completed
Piling Work	100%
Excavation up to bed rock blasting to clean the bed rock	100%
Completion of Tower Raft Foundation	100%
Construction of Tower Body up to 292 M level	100%
Construction of fire stair case & steel structure of tower house	50%

Master Construction Program

Description	Completion Date
Steel Structure - Tower House	May 2016
Tower Mast	May 2017
Finishing works- Tower base Roof	July 2017
Curtain walls - Tower base and Tower House	July 2017
Finishing work - tower House	October 2017
Lift	October 2017
Landscaping	October 2017

The following details are in respect of Hambanthota telecommunication media center.

- The scope of project has been revised and construction work up to 3rd floor level with gross floor area of 92,000 sf. completed.
- A termination letter has been sent to contractor on 19.08.2016
- The contractor has handed over the site to TRCSL on 26.10.2016 and since then the Commission maintains the site.
- With the guidance of Cabinet Committee on Economic Management and Southern Development, a suitable investment is sought to use the building on PPP basis .

Competition Division

As a responsible government, that ensure the well being of its people, in providing an efficient fully-fledged telecommunication service, in term of the telecommunication act No.25 of 1991 as amended by act No.27 of 1996 provision have been made and entrusted to TRCSL to maintain and handle regulatory activities . In this connection, licenses of telecommunication are in operation to carry out the services, protecting and promoting the interest of consumers, users, and the general public in respect of charges, quality of service and variety of telecommunication services. To ensure a fair competition among operators is an important aspect which gives the way to price reduction and for a quality service. Therefore competition division regulates tariffs, monitors interconnection services, publishes industry information, analyses operator performances and provides necessary advice to the parties concerned. The operators that extend the telecommunication service to underserved areas are being encouraged by TRCSL. And this division collects levies such as telecommunication levy, international telecommunication operator levy and Cess too. The foreign experts who work on evolving telecommunication technology that provides new services are being encouraged to visit Sri Lanka to upgrade the networks and therefore visas for such experts were being processed and allowed by this division.

The functions of the division facilitate the telecommunication industry while providing necessary information for its wellbeing. A summary of those functions are given bellow.

- Matters related to tariffs.
- Monitor operators by analyzing financial and performance.
- Perform economic analyses of the sector.
- Process economic terms with regard to inter connectivity and inter operator inter connection arrangement for approvals.
- Collection of audited financial statements from operators.
- Recommendation of programs of ICT development for rural sector.
- Making proposals for the use of economic incentives to expedite rural roll-out.
- Collect and analyze statistical information of the industry.
- Monitor collection of government taxes and levies.
- Visa facilitation Of foreign experts of telecommunication industry.

The year 2016 shown a remarkable increase in total industry turn-over exceeding Rs.200 Bn. And 95% of this amount was collectively contributed by five mobile operators and three fixed access operators. Though the total revenue reached 203 Bn. Rupees the profit after tax was 3.5 Billion rupees. But continuous investment was made by fixed and mobile operators up to 82.8 billion rupees. Though the market was limited to eight Public Switching Telephone Network (PSTN) operators successful operation could be seen among them, and this fierce competition paves the way to lower the price level than other countries in the region.

The following tables and charts give the real picture about the industry and its growth.

As usually the mobile subscriber base shown a 8% growth despite a 2% decline in fixed subscriber base.

Chart 04.01
Total Industry Revenue

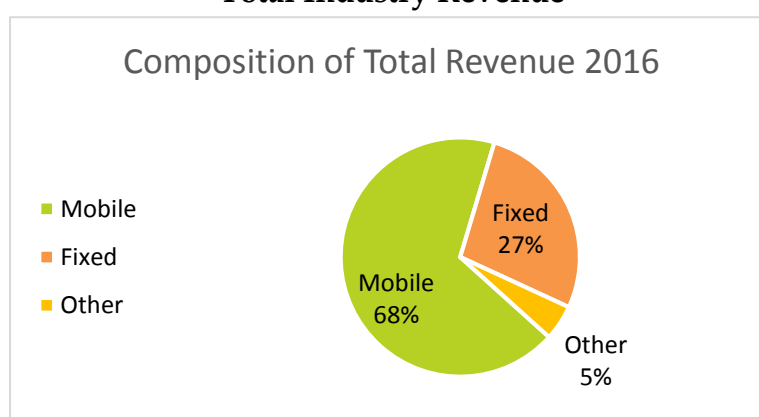


Table- 04.11
Total Industry Revenue of Mobile and Fixed Access Operators 2011-2016
(Rs. Million)

Category	2011	2012	2013	2014	2015	2016	% change 2011-2012	% change 2012-2013	% change 2013-2014	% change 2014-2015	% change 2015-2016
Mobile	83,530	101,704	111,586	119,144	125,120	137,894	22%	10%	7%	5%	10%
Fixed Access	43,660	43,403	46,318	48,652	51,138	55,321	-1%	7%	5%	5%	8%
Total	127,191	145,107	157,904	167,797	176,258	193,215	14%	9%	6%	5%	10%

Chart 04.02
Total Industry Revenue of Mobile and Fixed Access Operators 2011-2016

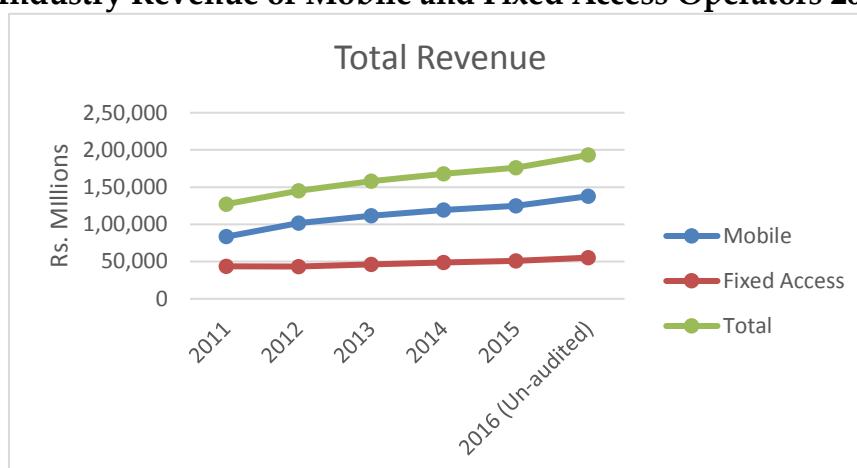


Table- 04.12
Number of Mobile and Fixed Access Subscriber bases for the period 2011-2016

Category	2011	2012	2013	2014	2015	2016	% change 2011-2012	% change 2012-2013	% change 2013-2014	% change 2014-2015	% change 2015-2016
Mobile	18,319,447	20,324,070	20,447,508	22,123,000	24,384,544	26,227,631	11 %	1 %	8 %	10 %	8 %
Fixed Access	3,608,392	3,449,391	2,706,787	2,709,848	2,601,196	2,550,432	-4 %	-22 %	0 %	-4 %	-2 %
Total	21,927,839	23,773,461	23,154,295	24,801,739	26,985,740	28,778,063	8 %	-3 %	7 %	9 %	7 %

There was an increase in Average Revenue per User (ARPU) in respect of both fixed and mobile access operator category as shown in the following

Table- 04.13
The ARPU of Mobile and Fixed Access Operator for the period 2011-2016

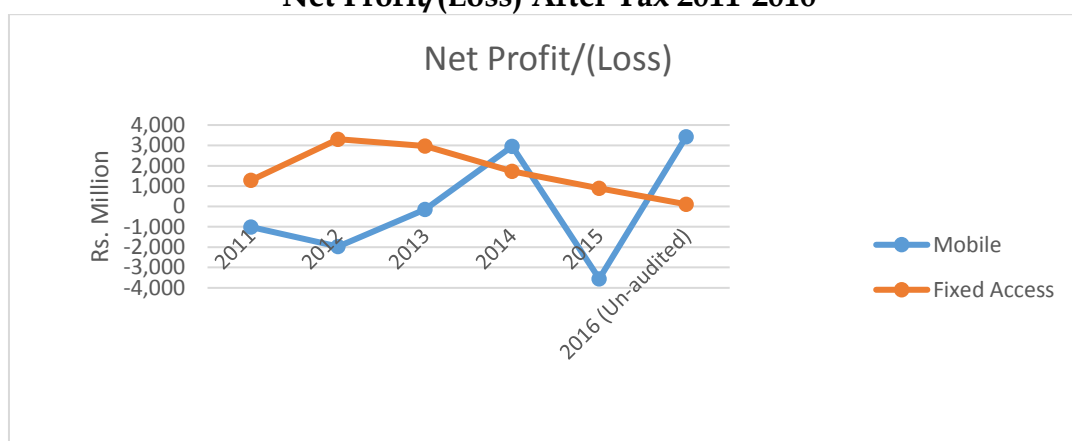
Category	2011	2012	2013	2014	2015	2016	% change 2011-2012	% change 2012-2013	% change 2013-2014	% change 2014-2015	% change 2015-2016
Mobile	4560	5004	5,457	5,386	5,131	5,258	10 %	9 %	-1 %	-5 %	2 %
Fixed Access	12,100	12,583	17,112	17,954	19,659	21,691	4 %	36 %	5 %	9 %	10 %

In the year 2016 both mobile and fixed operators recorded net profit after tax as shown in the table and the chart.

Table- 04.14
Net Profit/(Loss) After Tax 2011-2016
(Rs. Million)

Category	2011	2012	2013	2014	2015	2016)
Mobile	-1,017	-1,970	-143	2,947	-3,552	3,426
Fixed Access	1,285	3,304	2,964	1,723	898	106
Total - Mobile and Fixed Access	268	1,334	2,821	4,670	-2,654	3,532

Chart 04.03
Net Profit/(Loss) After Tax 2011-2016



The investment also on the rise during the year 2016 as shown below.

Table- 04.15
Mobile and Fixed Access Operators Investments 2011-2016 (Rs. Millions)

Category	2011	2012	2013	2014	2015	2016
Mobile	41,999	29,508	49,509	23,444	22,703	26,132
Fixed Access	14,055	20,610	19,052	21,640	26,245	56,641
Total	56,054	50,118	68,561	45,085	48,948	82,774

The telecommunication levy which is called “**single rate tax**” introduced in 2011 initially with 20% on value supply. A concessionary rate of 10% was imposed on internet levy while internet levy remain unchanged and the telecommunication levy increased up to 25% in 2014. The details are given in the following table.

Table- 04.16
Telecommunications Levy 2012-2016 (Rs. Millions)

Year	2012	2013	2014	2015	2016
Total TL	19,746	20,026	26,150	27,835	30,339

A Cess also collected from operators and the following figure gives the details.

Table- 04.17
Cess 2012-2016 (Rs. Millions)

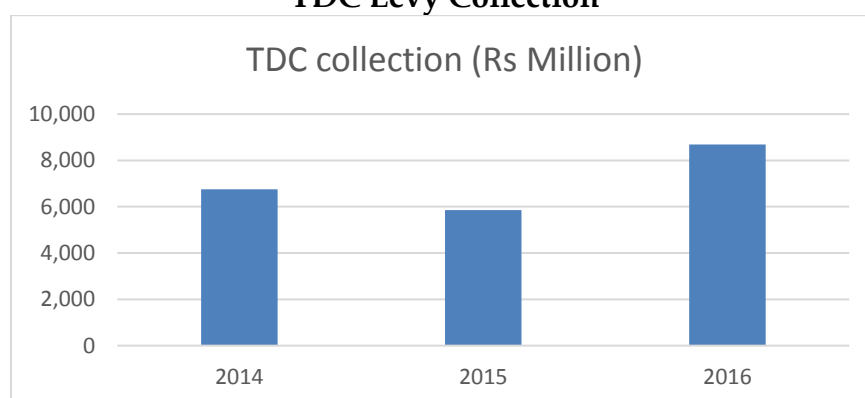
Year	2012	2013	2014	2015	2016
Total Cess	3,152	3,455	3,652	3,841	4,121

As Telecommunication Development Charge (TDC) and Out Going local Access Charges (OGAC) the Commission collects levies from International Telecommunication Operators (ITO). Due to Over The Top(OTT) voice applications such as Viber, What's App, Messenger, and Skype usage the international voice traffic usage dropped rapidly in the year 2016 and revenue decreased by 5% from 2014-2015. This situation leads to increase concerned levy up to 100% and the levy collection is shown in the following table.

Table- 04.18
TDC Levy Collection (2014-2016)

Year	2014	2015	2016
TDC collection (Rs Million)	6,756	5,861	8,689

Chart 04.04
TDC Levy Collection

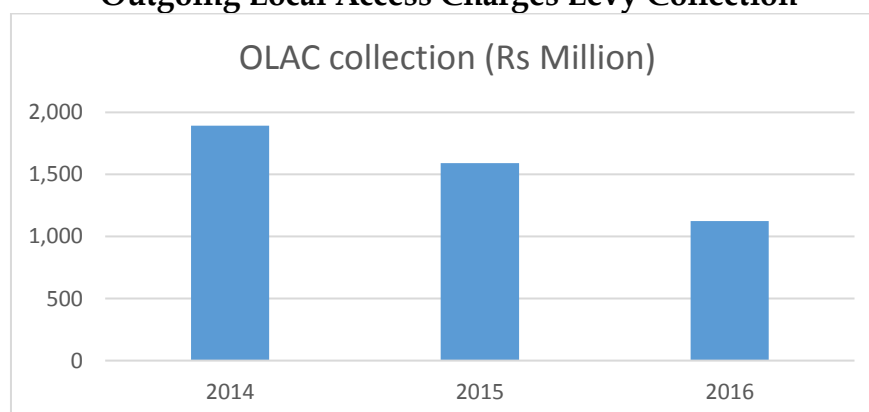


Outgoing local access charges also levied at the rate of Rs.3.00 per minute and the collection from the year is as follows.

Table - 04.19
Outgoing Local Access Charges Levy Collection (2014-2016)

Year	2014	2015	2016
OLAC collection (Rs Million)	1,894	1,592	1,125

Chart 04.05
Outgoing Local Access Charges Levy Collection



The TRCSL is vested with the authority to approve tariff plans of operators as per the telecommunication act in force, and operators can submit two types of tariff plan on long term basis and promotional basis. The long term basis is to be effective with a termination or revision introduced by Commission and in the instances that the operator wishes to continue the existing tariff plan with them. The promotional basis is on temporary and for a maximum of three months, because the operators are uncertain about the market and customer behavior.

During the corresponding year 2016, 128 tariff applications were processed and approved and it comprised 17 long term basis tariff approvals.

A floor rate has been imposed by TRCSL for the stability of telecommunication industry with effect from 2010 for local charges and SMS and revised in 2011 and in 2016 too. The new floor rate is named as Common Floor Rate. The rates are as follows.

Table - 04.20
Revision of the Floor Rate

Item	Common floor rate for On net & Off net (Rs. Per Minute / Rs. Per MMS / SMS)
Local Voice Call (Per minute basis billing)	1.50
Local Voice Call (Per second basis billing)	1.80
MMS / SMS	0.20

To obtain the emerging technology of the telecommunication industry in the world today, TRCSL has processed and sent recommendation of visa application of foreign professionals to The President Secretariat. During the year 245 such applications were processed by the division.

Administration Division

The division of the administration of TRCSL is the center of the Commission that handles planning, organizing, directing, monitoring and controlling, coordinating with outside institutes, establishment and disciplinary matters, evaluation, training, recommendation and approval of payments, procurement of goods and services, transport matters, welfare matters, creating a sound environment to workers, making provision for information technology facilities and library facilities, preparation of corporate plan annual reports, preparation of rules and regulations and coverage of media events of the Commission etc. While attending to the above mentioned matters,

the Commission was successful in their routing services such as maintenance of personnel files, recruitments, confirmations, promotions, performance appraisals, disciplinary inquiries, and preparation of human resource development budget etc.

Table- 04.21
Foreign and Local Training - 2016

	Subject/ Scope of Training/Fellowship/Seminars	COUNTRY	OVER FROM	OVER TO	Funded
1	Training Course on Information Security and Computer	China	17-Apr-16	27-Apr-16	APT
2	Space Radio Communication	Geneva	04-Apr-16	17-Apr-16	ITU
3	16TH apt Policy and Regulatory Forum	Japan	11-Jul-16	15-Jul-16	APT
4	ITU Study Group 1	Geneva	17-Sep-16	22-Sep-16	TRCSL
5	2016 ITU-D Study Group 1 and 2	Geneva	03-Apr-16	17-Apr-16	TRCSL
6	ITU-T Study Group 13 Meeting	Geneva	26-Jun-16	03-Jul-16	TRCSL
7	Study Group3/Working Party 3K	Geneva	19-Jun-16	02-Jul-16	TRCSL
8	Asia Pacific Spectrum management Conference	Thailand	24-Apr-16	27-Apr-16	APT
9	The 20th Meeting of APT Wireless Group	Thailand	05-Sep-16	10-Sep-16	APT
10	SATRC Working Group	Maldives	22-Mar-16	25-Mar-16	APT
11	Member of the SL Delegation in SL Free Trade Agreement	Singapore	12-Dec-16	16-Dec-16	TRCSL
12	7 th apt Workshop on Dissaster Management	Thailand	24-Apr-16	01-May-16	APT
13	ITU/PTA Regulators Round Table	Pakistan	17-Jul-16	23-Jul-16	APT
14	ITU-TRAI Training on Consumer Protection	India	20-Mar-16	24-Mar-16	TRCSL
15	Information Media Executive Programme	Singapore	21-Aug-16	27-Aug-16	ITU
16	ITU-d Study Group	Geneva	17-Apr-16	01-May-16	ITU
17	Visit to CEIEC	China	16-Dec-16	20-Dec-16	TRC
18	ITU-R Study Group WP1A Meeting on SM	Geneva	12-Nov-16	18-Dec-16	TRCSL

19	Program on Digitalization of Terrestrial TV Broadcasting Project	Japan	26-Jun-16	02-Jul-16	JICA
20	Digitalization Terrestrial TV Broadcasting Project	Japan	26-Jun-16	02-Jul-16	JICA
21	The 1st Meeting of the APT Conference	China	25-Jul-16	29-Jul-16	APT
22	SATRC workshop on spectrum	Bhutan	17-Apr-16	22-Apr-16	APT
23	Meeting of Working Party 1C on Spectrum Monitoring and Meeting of Radio Communication Study Group1	Geneva	01-Jun-16	12-Jun-16	TRCSL
24	ITU-t study Group 12 Performance QoS and QoE	Geneva	04-Jun-16	18-Jun-16	TRCSL
25	Training Course on Spectrum Management	India	23-Aug-16	31-Aug-16	APT
26	ITU-D Study Group 02 Meeting	Geneva	26-Sep-16	30-Sep-16	TRCSL
27	The 4th Meeting of the APT Preparatory Group	Viet Nam	23-Aug-16	26-Aug-16	APT
28	World Telecommunication Standardization Assembly	Tunisia	24-Oct-16	05-Nov-16	ITU
29	3rd Meeting of the APT Preparatory Group	Nepal	13-Jun-16	18-Jun-16	APT
30	ITU-Study Group 3 Regional Meeting	India	20-Sep-16	23-Sep-16	TRCSL
31	Meeting of the Study Group - 3	Geneva	21-Feb-16	03-Mar-16	TRCSL
32	ITU-R of Study Group 5 and Working Party 5A	Geneva	08-May-16	22-May-16	TRCSL
33	Towerxchange Asia Telecom Tower Conference	Singapore	14-Dec-16	16-Dec-16	APT
34	Seminar on Cyber Crime Prevention and Investigation	China	27-Jun-16	17-Jul-16	APT
35	Study Group 15: Network , Technologies and Infrastructures	Geneva	25-Sep-16	02-Oct-16	TRCSL
36	Working Party 5A: Land Mobile Service	Geneva	06-Nov-16	13-Nov-16	TRCSL
37	SATRC Working Group on Spectrum	India	23-May-16	26-May-16	APT
38	APT Training Course on Utilization ICT Services and E-Application	Japan	28-Feb-16	19-Mar-16	APT

39	Training Course on Action for Next and new Generation Mobile Communication	Japan	18-Jan-16	28-Jan-16	APT
40	ITU-Asia Pacific Center of Excellence Programme	Thailand	14-Aug-16	20-Aug-16	TRCSL
41	ITU - Asia Pacific Center of Excellence Programme on Quad play Costing and Pricing	Thailand	14-Aug-16	20-Aug-16	ITU
42	Training Course on Preparing for Conferences	Thailand	27-Mar-16	01-Apr-16	APT
43	Online /Face to Face Wireless Broadband	Thailand	11-Dec-16	17-Dec-16	APT
44	Training Course on Preparing for Conference	Thailand	27-Mar-16	01-Apr-16	TRC
45	Training Course on Broadband Policy for Universal Access	India	20-Sep-16	29-Sep-16	APT
46	Training Course on Cyber Security Fundamentals	India	27-Sep-16	05-Oct-16	APT
47	Digital Divide Resolution at Rural Areas	Japan	12-Nov-16	24-Nov-16	APT
48	2nd Meeting of Working Group	Thailand	07-Jun-16	09-Jun-16	TRC
49	Cyber Security Technologies Recent Trent of	Japan	09-Nov-16	19-Nov-16	APT
50	APT Training Course on Big Data Analytics	China	16-Oct-16	28-Oct-16	APT
51	Training course on Future Software Based	Thailand	06-Nov-16	12-Nov-16	APT
52	Training Course on Smart City	China	08-Nov-16	19-Nov-16	APT
53	4th 7th Meeting Expert Group and Working Party	Geneva	02-Oct-16	09-Oct-16	TRCSL
54	GSR-16 Thematic Pre-Conference	Egypt	10-May-16	16-May-16	ITU
55	Altair Broad Band Forum -2016	Germany	28-Sep-16	02-Oct-16	TRCSL/Huawei
56	The 40th Session of the Management Committee	Fiji	26-Nov-16	03-Dec-16	TRC
57	2016 Session of the Council	Geneva	24-May-16	04-Jun-16	ITU
58	Innovative Strategies for Development Summit	Philippines	07-Jun-16	11-Jun-16	TRC

Local Training

	Subject	Institute
1	Workshop for Labour Law for Administrative Professionals 01.03.2016	Skill Development fund Limited
2	Master Degree/ Post Graduate Diploma	Sri Lanka Institute of Information Technology
3	Chartered Tax Advisor – Stage II	Institute of Chartered Accountants of Sri Lanka
4	Internal Auditing – Planning, Internal Controls and Risk Assessment - March 10, 2016	PRAG Institute ,
5	Procurement and Bid Evaluation for IT Products March 24, 2016	PRAG Institute
6	Master of Financial Economics Degree Programme 2016	University of Colombo
7	Management of Tax Compliance - 22 nd April 2016	Institute of Chartered Accountants of Sri Lanka
8	Workshop of Tax Implication on Salary (Payee) for Accounts Professionals - 06.05.2016	SLIDA
9	Workshop Greenstone Digital Library Software - 28 th - 29 th April 2016	Sri Lanka Library Association
10	37 th National Conference - 19 th – 21 st October 2016	Institute of Chartered Accountants of Sri Lanka

Finance Division

Overview

The paramount function of the Finance Division is the Financial Management which involves all monetary functions of the Commission. Collection of Revenue and the optimum usage of such funds by way of proper investing are key highlighters. Not only that the controlling and spending are not second, especially within the statutory requirements such as relevant rules and regulations of Financial Regulations, relevant Circulars and Commission decisions. Also, maintenance of accurate financial records is one of the main responsibilities of the Finance Division because the Commission takes vital decision on same. All government institutions are bound by law to submit the financial statements to the Auditor General to determine the accuracy & completeness of the transactions and to ensure that all financial policies are in conformity with the Generally Accepted Accounting Principles and Accounting Standards published by The Institute of Chartered Accountants of Sri Lanka and the financial procedures comply with the Financial Regulations of the Government. In the year under review we have submitted our Financial Statements to the Auditor General on the due date. The functions of Finance Division is not only recording of historical data in the Financial Statements but also Financial Administration, cost control,

project evaluation, development planning, and participating in strategic decision making effectively and efficiently too, are important functions of the Division.

Functions

- Reporting financial results, variation with budget/forecast and reasons for same
- Preparation of the annual budget/forecast.
- Establishing & maintaining internal control system.
- Maintaining records of all Fixed Assets and ensuring the security and optimum usage of same.
- Guiding & assisting to the top management in implementing the Capital & Revenue expenditure programs.
- Tax planning and compliance with relevant statutory authorities.
- Reviewing and analyzing periodic operational and financial report such as Auditors Report and Audit Committee Reports and taking corrective/appropriate action to rectify the 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, and Assets & Liabilities and provide information to the top management as and when they are requested.

Performance

Revenue

The Statutory power to earn and collect the revenue of the Commission is vested by the Telecommunication Act No. 27 of 1996. Accordingly, the Commission earns/collects Revenue by way of "Radio License Fees, Cess Fees, System Operator License Fees, Vendor License Fees and other related fees from Public Switched Telephone Network (PSTN) operator and Radio Frequency users. Furthermore the Commission's Revenue has been increasing year by year which is highlighted below.

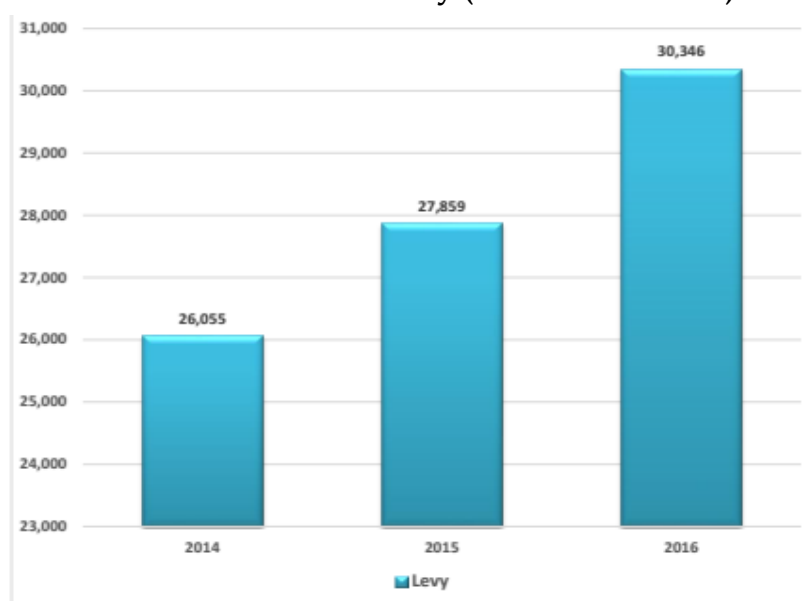
Table- 04.22
Revenue of the Commission from 2014 – 2016

Source of Income	2016 (Rs. '000)	2015 (Rs. '000)	2014 (Rs. '000)
System Operator License Fees	1,751,344	107,708	261,816
Cess Fees	4,067,179	3,840,742	3,651,983
Radio Frequency License Fees	7,496,093	6,756,145	8,672,210
Frequency Upfront Fees	367,347	0	0
Vendors License Fees	14,771	13,087	12,337
Amateur Radio License Fees	73	56	95
Ship Station License Fees	892	764	797
Aircraft License Fees	1,170	941	1,048
Cordless Phone Dealer Charges	90,760	66,757	51,506
Examination Fees	417	394	374
Application Processing Fees	1,632	6,531	1,020
Short Code Charges	19,388	14,796	8,418
Sundry Income (Interest income from Fixed Deposits, Staff loans etc.)	2,295,412	1,117,143	1,711,196
Total	16,106,478	11,925,066	14,372,802

Telecommunication Levy

The present rate of Telecommunication levy was 25% on the value of the supply of Telecommunication Services other than the supply of internet service, by the operators. The value of supply of internet services is presently levied of the rate of 10%.

Chart 04.06
Telecommunication Levy (2014-2016 Rs. Mn)



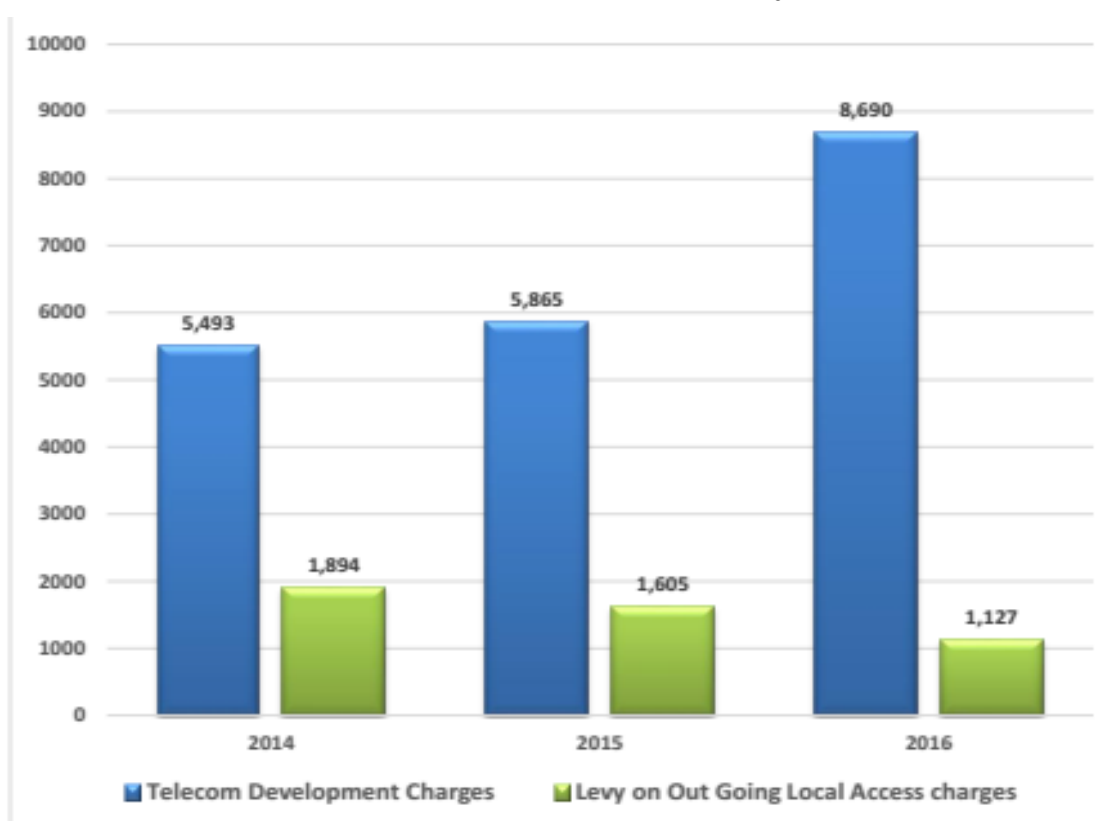
Further, a 2% CESS fee was introduced by the Government on the annual Gross Turnover of the Operators in place of System Operator License Fee and Cess fee.

International Telecommunication Operators' Levy

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 Operator's Levy of US \$ 0.30 per minute as a TDC (Telecommunication Development Charge) and a levy of Rs. 2.00 per minute from incoming & outgoing international calls respectively from International Telecommunication Operators.

The following chart depicts last three years Revenue increasing pattern on same.

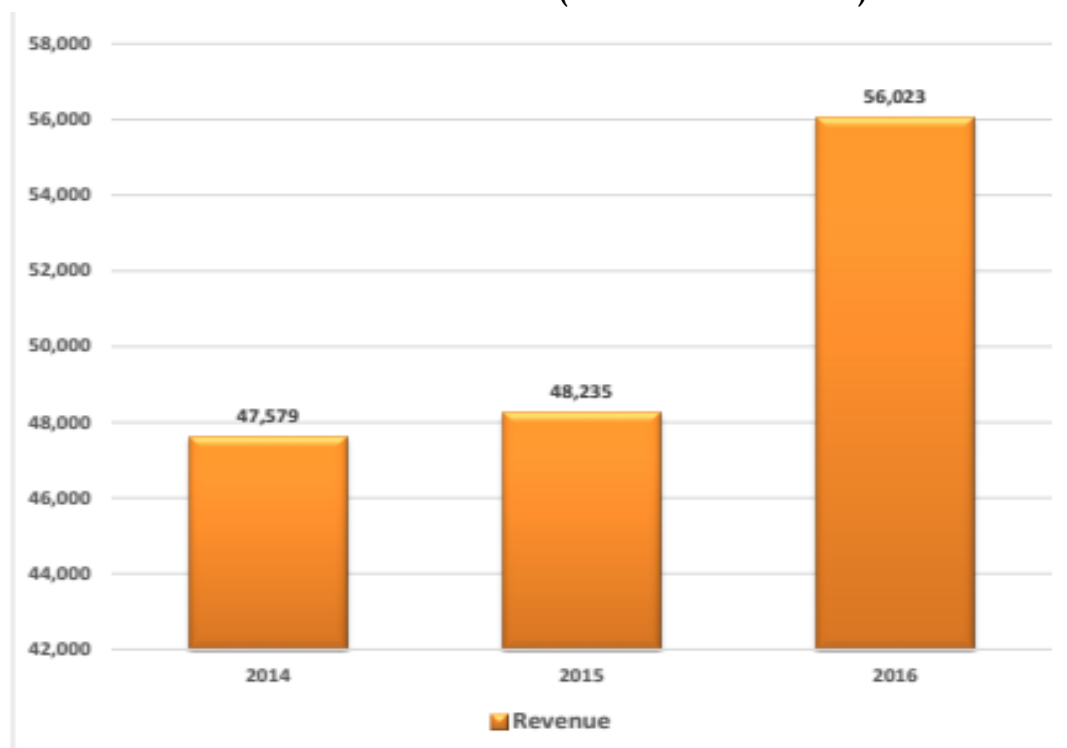
Chart 04.07
International Telecommunication Operator's Levy (2014-2016 Rs. Mn)



Revenue Collected under the Telecommunications Amendment Act No. 27 of 1996

The total Revenue of the TRC is also could be observed from the chart given below.

Chart 04.08
Total Revenue of TRC (2014-2016 in Rs. Mn)



Remittance to the Consolidated Fund

In 2016, Rs.63.8 billion was transferred to the Government Treasury by TRC to strengthen the Government Revenue.

Table- 04.23
Remittance to the Consolidated Fund

Year	2016 Rs. Million	2015 Rs. Million	Percentage Increase
Out of Current Year Surplus	48.8	43.6	12%
Out of Previous Years Surplus	15.0	0.00	-

Property, Plant & Equipment

Rs.32.6 million, Rs.3.1 million & 1.6 million were spent to purchase Technical Equipment, Office Equipment & Video Equipment respectively out of Rs.45.3 million of additions to the Property, Plant & Equipment during the year 2016.

Investment

The Commission maintained Money Market Daily Transaction account with People's Bank and earned Rs.166 million interest income through such money market transactions during the year 2016.

Staff

During the year under review, the Finance Division carried out the entrusted function with a staff of 14 members comprising 01 Director, 02 Deputy Directors (01 Deputy Director retired from the service since February 2016) , 01 Assistant Accountant, 02 Development Officers, 05 Management Assistants , 01 IT Assistant and 02 Primary Level Officers.

CHAPTER -05

Internal Audit Performances and Audit Committee Reports

Overview

The Internal Audit Division of TRCSL is an independent unit function under the direction of Director General aimed to add value and improve the operations of the Commission. 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.

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.

During the year 2016, four Audit Committee meetings were held and following matters were discussed at these meetings.

The subjects' areas cover is given below.

1. Audit Committee meeting held on 11th February 2016

1.1 The reports / matters were discussed and decisions / actions were taken as follows.

Subject Area	Actions / Decisions taken
1 Financial instruments – Recognition & measurement – LKAS 39	
i. Trade debtors should be recognizes as loans & receivables & required to be measured at amortized cost.	Discuss this matter with a Auditor General Department until give a suitable solution. DD finance was advice to keep a foot note on this matter.
ii. Incorrect presentation of investment – LAKS 39	Agreed to correct in financial statements for the year 2015
2 Preparation of financial statements – LKAS 01	
i. a. Statement of financial position is not presented in accordance with the LKAS 1	Agreed to correct in financial statements for the year 2015
b. current Assets in the statement of financial position has not presented in order of liquidity	Agreed to correct in financial statements for the year 2015
c. classification of current & non – current liabilities is not in accordance with the standard	Agreed to correct in financial statements for the year 2015
ii. Unusual categorization of expenses can be seen in the face of statement of profit or loss and other comprehensive income	
a. Repair & maintenance cost should be aggregated to administration & establishment expenses	Agreed to correct in financial statements for the year 2015
b. Company has made under / over provisions for the income & expenditure in the in the statement of profit or loss instead of adjusting to the relevant income or expenses	Agreed to correct in financial statements for the year 2015
iii. Description of the entity operation and principal activities has not been disclosed even through it is required	Agreed to disclose such details in financial statements for the year 2015

iv. Imported double cap amounting to Rs. 841,572/- is included in WIP which is not allowed to recognize as WIP	Agreed to correct in financial statements for the year 2015
3 Statement of cash flows LKAS - 07	
i. Classification of the items in the statements of cash flow are not appropriate	Agreed to correct in financial statements for the year 2015
4 Property plant & Equipment - LKAS 16	
i. Depreciation of Assets begins when it is available for use.	Agreed to correct in financial statements for the year 2015
ii. The gross carrying amount of fully depreciated PPE has not been disclose in the financial statement.	Agreed to correct in financial statements for the year 2015
iii. The entity has been re - stating the re-valuation reserve by Rs. 16,200,000/- without any discloses in the statement of changers of equity.	Agreed to disclose such details in financial statements for the year 2015
5 Leases - LKAS 17	
i. Leases rental paid for the land amounting Rs. 300,000,000/- Lotus Tower is capitalized in PPE	Agreed to disclose such details in financial statements for the year 2015
ii. Disclosers relating to the lease have not been presented - Leases rental for the land lotus tower - Rs. 2,115,212,127 lease hold land as at 31/12/2014 - Rs. 345,502	Agreed to get clarification and correct in financial statements for the year 2015
6 Employee benefits LKAS 19	
i. The entity has recognized defined benefit plane has not been properly presented.	Agreed to correct in financial statements for the year 2015
ii. Required discloses related to define benefit plane has not been properly presented.	Agreed to correct in financial statements for the year 2015
7 Provisions contingent liabilities and contingent assets LKAS 37	
i. In adequate discloser for contingent liabilities in financial statements amounting to Rs. 47,346,608,433	Agreed to correct in financial statements for the year 2015
8 Auditor General's report under section 14 (2) © of the financial Act No 38 of 1971	To show credit balances in the debtors accounts.

issued on the finance statement for the year ended 31/12/2014	To submit a Commission paper explaining the positions of credit balances in the debtors.
9 Without obtaining treasury approval for depositors in savings accounts in 2003 – US \$ 420,000	- Show the dollar conversion rate in the financial statements. - To submit a Commission paper seeking advice regarding this matter.
10 Positions of the land of IT park of Sooriyawewa, Hambantota.	To disclose in the financial statement for the year ended 31/12/2015

1.2 Any other matters discussed Audit committee meeting held on 11th February 2016 as follows;

- i. Draft financial statements for the period ended 31/12/2015
- ii. Last COPE minutes, replies, current positions and action taken etc.

2. Audit Committee meeting held on 24th February 2016

2.1 The reports / matters were discussed and decisions / actions were taken as follows.

Subject Area	Actions / Decisions taken
1 Financial instruments – Recognition & measurement – LKAS 39	
i. Trade debtors should be recognizes as loans & receivables & required to be measured at amortized cost.	To show debtors under the category of Accounts receivable.
ii. Incorrect presentation of investment – LAKS 39	Agreed to correct in financial statements for the year 2015
2 Preparation of financial statements – LKAS 01	
i. a. Statement of financial position is not presented in accordance with the LKAS 1	Agreed to correct in financial statements for the year 2015
b. current Assets in the statement of financial position has not presented in order of liquidity	Agreed to correct in financial statements for the year 2015

c. classification of current & non – current liabilities is not in accordance with the standard	Agreed to correct in financial statements for the year 2015
ii. Unusual categorization of expenses can be seen in the face of statement of profit or loss and other comprehensive income	Agreed to correct in financial statements for the year 2015
a. Repair & maintenance cost should be aggregated to administration & establishment expenses	Agreed to correct in financial statements for the year 2015
b. Company has made under / over provisions for the income & expenditure in the in the statement of profit or loss instead of adjusting to the relevant income or expenses	Agreed to correct in financial statements for the year 2015
iii. Description of the entity operation and principal activities has not been disclosed even through it is required	Agreed to correct in financial statements for the year 2015
iv. Imported double cap amounting to Rs. 841,572/- is included in WIP which is not allowed to recognize as WIP	Agreed to correct in financial statements for the year 2015
3 Statement of cash flows LKAS – 07	
i. Classification of the items in the statements of cash flow are not appropriate	Agreed to correct in financial statements for the year 2015
4 Property plant & Equipment – LKAS 16	
i. Depreciation of Assets begins when it is available for use.	To disclose the change of policy made in the accounts.
ii. The gross carrying amount of fully depreciated PPE has not been disclose in the financial statement.	Revalue the fully depreciated assets & present the fair value.
iii. The entity has been re – stating the re-valuation reserve by Rs. 16,200,000/- without any discloses in the statement of changers of equity.	Agreed to correct in financial statements for the year 2015
5 Leases – LKAS 17	
i. Leases rental paid for the land amounting Rs. 300,000,000/- Lotus Tower is capitalized in PPE	To disclose the present position in financial statements for the year 2015
ii. Disclosers relating to the lease have not been presented –	To check whether the land correct value.

Leases rental for the land lotus tower - Rs. 2,115,212,127/- Lease hold land as at 31/12/2014 - Rs. 345,502/-	
6 Employee benefits LKAS 19	
i. The entity has recognized defined benefit liability and assets separately in the statement of financial position.	Agreed to correct in financial statements for the year 2015
ii. Required discloses related to define benefit plane has not been properly presented.	Agreed to correct in financial statements for the year 2015
7 Provisions contingent liabilities and contingent assets LKAS 37	
i. In adequate discloser for contingent liabilities in financial statements amounting to Rs. 47,346,608,433	Agreed to correct in financial statements for the year 2015

2.2 Any other matters discussed Audit committee meeting held on 24th February 2016 as follows;

- i. Draft financial statements for the period ended 31/12/201

3. Audit Committee meeting held on 14th June 2016

3.1 The reports / matters were discussed and decisions / actions were taken as follows.

Subject Area	Actions / Decisions taken
Report No CIA/16/01 dated 20/04/2016 Implementation of new salary preparation system	Errors observed by internal audit division were informed to finance division and to be corrected them
Report No CIA/16/03 dated 01/06/2016 Delegation of financial authorities 2016	- Director / Finance was advised to make corrections / adjustments according to decisions. - To submit Commission revised financial authority limits 2016
Report No CIA/16/04 dated 08/06/2016 Reports received from Auditor General There were discussed fourteen (14) audit reports & replies.	To be filled vacancies in Internal Audit Division

Subsequent to the issue of 14 (2) © issued on the Financial statements - 31/12/2015 Internal Audit Auditing of Lotus Tower project & IT Park -Hambanthota	Obtain services from a suitable institution to carry out internal audit of Lotus Tower & IT Park - Hambanthota
Report No CIA/16/04 dated 08/06/2016 Reports received from Auditor General Collection of Telecom Levy and Cess	To introduced a reporting format to be certified by the operator's auditors for the purpose of telecom levy and cess fees.
Report No CIA/16/04 dated 08/06/2016 Reports received from Auditor General Audit of financial statements - 31/12/2015	Committee advised to reply immediately.
Circular issued by Ministry of Finance - PAYE	The committee advised to refer this circular to the Commission for a decision.

4. Audit Committee meeting held on 28th October 2016

4.1 The reports / matters were discussed and decisions / actions were taken as follows.

Subject Area	Actions / Decisions taken
Internal audit of Lotus Tower & IT Park projects	Arrangements have been made to discuss with the department of building to conduct internal audit of the said project.
Collection of Telecom levy and cess	- Introduce a reporting format to be certified by the operator's auditors for telecom levy & cess fee - Speed up introducing a reporting format to be certified by the operator's auditors for telecom levy and cess fees.
Report No CIA/16/02 dated 25/05/2016 SLBC outstanding payments on Radio Frequency charges	A Commission paper to be submitted to the Commission jointly by SM and Finance divisions.
Report No CIA/16/04 dated 09/08/2016 Mobile telephone operator Levy	To take necessary steps to collect levy on or before due date in the future.

Report No CIA/16/05 dated 09/08/2016 Checking of payment vouchers - January to March 2016	To follow up action for replies accordingly
Report No CIA/16/06 dated 19/08/2016 Foreign Travelling	• To update foreign training index • To prepare annual training program for the year 2017 • To take corrective action as agreed in the reply
Report No CIA/16/07 dated 24/10/2016 Reports received from Auditor General • Construction of Lotus Tower project • Lotus Tower project - Consultancy services	To be obtained approval for project extension period and payment of consultancy fees.
Summary of statutory payments made to relevant authorities - October 2015 to July 2016	Committee noted the content of submitted information.
Corporate plan, Action plan, Procurement plan & Budget for the year 2017.	To submit the above mentioned documents to the Commission at earliest.
Annual reports - 2014 & 2015	To submit the progress of action taken to submit annual reports for the year ended 31/12/2014 & 2015 to the parliament.
The Annual Audit programme - 2017	The committee suggested to add a footnote about the internal audit of special projects such as Lotus Tower & IT Park.

FINANCIAL STATEMENT

FOR THE YEAR ENDED DECEMBER, 2016

TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA
STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2016
(Expressed in Sri Lanka Rupees)

	<u>NOTES</u>	<u>31.12.2016</u>	<u>31.12.2015</u>
ASSETS			<u>(RESTATED)</u>
NON-CURRENT ASSETS			
Property, Plant & Equipment	4	12,349,269,594	12,404,632,997
Work In Progress	5	11,301,918,644	9,610,206,384
Investment	6	357,097,404	22,460,553,336
Mobilization Advance Payment	7	1,321,739,434	1,439,674,995
TOTAL NON-CURRENT ASSETS		<u>25,330,025,076</u>	<u>45,915,067,712</u>
CURRENT ASSETS			
Accounts Receivable	8	6,550,438,085	5,820,953,940
Prepayment and Advance	9	396,715	5,324,290
Loans and Other Receivables	10	131,931,361	279,018,537
Cash & Cash Equivalents	11	12,063,193,512	916,668,961
TOTAL CURRENT ASSETS		<u>18,745,959,673</u>	<u>7,021,965,730</u>
TOTAL ASSETS		<u>44,075,984,749</u>	<u>52,937,033,442</u>
EQUITY AND LIABILITIES			
EQUITY			
Government Contributions	12	526,214,744	526,214,744
Accumulated Surplus		19,477,817,131	28,679,265,809
Revaluation Surplus		37,380,000	37,380,000
TOTAL EQUITY		<u>20,041,411,875</u>	<u>29,242,860,553</u>
NON-CURRENT LIABILITIES			
Project Loan - Exim Bank (Lotus Tower)		6,634,801,047	5,595,248,248
Retention	13	879,198,298	806,818,929
Retirement Benefit Obligation	14	2,596,474	4,242,627
Urban Development Authority		9,450,000,000	9,450,000,000
TOTAL NON-CURRENT LIABILITIES		<u>16,966,595,819</u>	<u>15,856,309,804</u>

TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA
STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2016
(Expressed in Sri Lanka Rupees) *(Contd...)*

	<u>NOTES</u>	<u>31.12.2016</u>	<u>31.12.2015</u>
CURRENT LIABILITIES			
Accounts Payable	15	463,347,017	222,870,612
Advances, Deposits and Other Payables	16	4,034,626,238	4,886,111,003
Payable to Treasury	17	2,570,003,799	2,728,881,467
TOTAL CURRENT LIABILITIES		7,067,977,054	7,837,863,082
TOTAL LIABILITIES		24,034,572,873	23,694,172,886
TOTAL EQUITY AND LIABILITIES		44,075,984,749	52,937,033,439

The accounting policies and notes to the financial statements 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 2016 and its surplus for the period then ended.



M. K. Jayantha
Director - Finance

The Commission is responsible for the preparation and presentation of these financial statements.
 Approved and signed for and on behalf of the Commission.



Austin Fernando
Chairman



M. Kingsly Fernando
Director General (Actg.)

TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016
(Expressed in Sri Lanka Rupees)

	<u>NOTES</u>	<u>31.12.2016</u>	<u>31.12.2015</u>
Revenue			
Income	18	56,023,955,218	48,235,131,152
Total Operating Income		56,023,955,218	48,235,131,154
Less: Regulatory Expenses	19	(164,191,324)	(97,843,863)
Net Total Operating Income		55,859,763,893	48,137,287,291
Less: Other Expenses			
Administration & Establishment Expenses	20	548,374,998	529,869,832
Finance & Others	21	3,082,690	2,886,118
Provision for Bad Debtors		(30,742,498)	17,705,645
Under / (Over) Provision		0	0
(Gain) / Loss on Foreign Currency Transactions		(2,672,418)	(6,550,542)
Total Expenditure		518,042,772	543,911,053
Profit for the Year from Continuing Operations Before Income Tax		55,341,721,121	47,593,376,238
Less: Income Tax		(727,760,032)	(378,032,104)
Profit for the Year from Continuing Operations After Income Tax		54,613,961,089	47,215,344,134
Other Comprehensive Income			
Gain/(Loss) on Retirement Benefit Obligation		1,494,318	508,549
Total Other Comprehensive Income for the Year		1,494,318	508,549
Total Comprehensive Income for the Year After Tax		54,615,455,407	47,215,852,683
Less: Contribution to the Consolidated Fund	22-1	(48,816,904,084)	(43,652,119,487)
Total Comprehensive Income for the Year After Contributing the Consolidated Fund		5,798,551,322	3,563,733,196
Add:			
Total Comprehensive Income Brought Forward		28,679,265,809	25,579,563,170
Less: Contribution to the Consolidated Fund	22-2	(15,000,000,000)	0
Super Gain Tax		0	(464,030,556)
		13,679,265,809	25,115,532,614
Total Comprehensive Income Carried Forward		19,477,817,131	28,679,265,809

TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA

CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2016

(Expressed in Sri Lanka Rupees)

	<u>Note</u>	<u>31.12.2016</u>	<u>31.12.2015</u>
<u>Cash flows from operating activities</u>			
Cash generated from operations	23	51,574,969,413	46,839,311,572
Tax paid		(471,306,899)	(320,368,348)
Super gain tax paid		0	(464,030,556)
Retirement benefit obligation paid		(1,922,265)	(870,483)
Net cash generated from operating activities		51,101,740,249	46,054,042,186
<u>Cash flow from investing activities</u>			
Purchases of property plant & equipment		(45,953,629) *	(206,224,879)
Projects under which are in work in progress		(1,691,712,259) *	(1,796,329,533)
Net Investment in Fixed Deposit & Government securities under re-purchase agreement		22,103,455,931 *	(7,306,442,682)
Investment in Fixed Deposit (Gratuity Payments)		(4,300,000) *	(14,865,000)
Interest Income from government securities under re-purchase agreement		2,101,015,117 *	967,997,435
Proceed from sale of property, plant & equipments		376,850 *	16,673,344
Net cash used in investing activities		22,462,882,010	(8,339,191,315)
<u>Cash flows from financing activities</u>			
Mobilization Advance payment		117,935,562	26,508,259
Interest Income from Money Market Transactions		166,266,227	127,419,331
Remittance to the Consolidated Fund		(63,816,904,084)	(43,652,119,486)
Project Loan - Exim Bank (Lotus Tower)		1,039,552,799	971,406,186
Retention		72,379,369	191,596,692
Urban development Authority		0	(150,000,000)
Net cash used in financing activities		(62,420,770,127)	(42,485,189,019)
Net (decrease) / increase in cash and cash equivalents		11,143,852,133	(4,770,338,148)
<u>Movement in cash and cash equivalents</u>			
As at 01st January 2015		916,668,961	5,680,456,567
(Decrease) / increase		11,143,852,133	(4,770,338,148)
Exchange (losses) / gains on cash and cash equivalent		2,672,418	6,550,542
As at 31st December 2015		12,063,193,512	916,668,961

TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2016

(Expressed in Thousands of Sri Lanka Rupees)

	Government Contributions	Revaluation Surplus	Accumulated Surplus / (Deficits)	Total Equity
Balance at 01st January 2015	526,214,744	37,380,000	25,579,563,170	26,143,157,914
Less: Super Gain Tax	-	-	(464,030,556)	(464,030,556)
	526,214,744	37,380,000	25,115,532,614	25,679,127,358
Total Comprehensive Income for the Year Ended 31st December 2015	-	-	3,563,733,195	3,563,733,195
Restated	-	-	-	0
Balance at 31st December 2015	526,214,744	37,380,000	28,679,265,809	29,242,860,553
 Balance at 01st January 2016	 526,214,744	 37,380,000	 28,679,265,809	 29,242,860,553
Less: Transfer to Consolidated Fund	-	-	(15,000,000,000)	(15,000,000,000)
	526,214,744	37,380,000	13,679,265,809	14,242,860,553
Total Comprehensive Income for the Year Ended 31st December 2016	-	-	5,798,551,322	5,798,551,322
Balance at 31st December 2016	526,214,744	37,380,000	19,477,817,132	20,041,411,875

TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA

NOTES TO THE FINANCIAL STATEMENTS - 31.12.2016

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

1. 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.

Principal activities of the Commission which are cited in the Act are as follows:

The Commission shall exercise its powers under the Act in a manner which it considers is be calculated to promote the national interest and in particular

- (a) To ensure the provision of a reliable and efficient national and international telecommunication service in Sri Lanka (save in so far as the provision thereof is impracticable) such as will satisfy all reasonable demands for such service including emergency services, public call box services, director information services, maritime services and rural services as may be considered essential for the national wellbeing.
- (b) Without prejudice to the generality of paragraph (a), 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 his license.
- (c) 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 supplies.
- (d) To maintain and to promote effective completion between persons engaged in commercial activities connected with telecommunication and promote efficiency and economy on the part of such persons.
- (e) To promote the rapid and sustained development of telecommunication facilities both domestic and international.
- (f) To ensure that operators are able to carry out their obligations for providing a reliable and efficient service free of undue delay, hindrance or impediment.
- (g) To promote research into and the development and use of new techniques in telecommunications and related fields.

(h) To encourage the major users of telecommunication services whose places of business are outside Sri Lanka to establish places of business within Sri Lanka. and

(i) To promote the use of Sri Lanka for international transit services

2. 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.

3. 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.

3.1 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.

3.1.1 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.

3.1.2 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.

3.2 Assets and the bases of their valuation

3.2.1 Property, Plant and Equipment

(a) 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 de-recognized. All other repairs and maintenance are charged to the comprehensive income during the financial period in which they are incurred.

(b) Depreciation

Land is not depreciated. Depreciation on other assets is recognized profit or loss on a straight-line method over the estimated useful life of each part of the item of property plant & equipment. In the year of acquisition , depreciation is computed on proportionate basis from the month the asset put into use and no depreciation will be charged to the month in which the particular asset is disposed.

(c) Estimated Useful Lives of PPE

Buildings	Over 20 Years
Telecommunication Towers	Over 10 Years
Furniture & Fittings	Over 10 Years
Office Equipment	Over 10 Years
Computers	Over 04 Years
Air Conditions	Over 10 Years
Motor Vehicles	Over 08 Years
Generators	Over 10 Years
Elevators	Over 10 Years
Office Telephones	Over 10 Years
Office Furniture	Over 10 Years
Technical Equipment	Over 10 Years
Web Server	Over 04 Years
Gymnasium Equipment's	Over 04 Years
Video Unit Equipment's	Over 04 Years

(d) Capital Work-In-Progress

Capital work in progress is stated at Cost. These are expenses of a capital nature directly incurred in the construction of buildings and system development awaiting capitalization.

(e) Derecognition

The carrying amount of an item of Property, plant and equipment is derecognized on disposal. Gains and losses on disposal of an item of Property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of Property, plant and equipment and are recognized net within "Other Income" in profit or loss.

3.2.1 Investments

Investments include Fixed Deposits, Treasury Bills under Re-purchase Agreements which are held for less than three months and Money Market Investments. These investments are stated at cost plus accrued interest up to the year end.

3.2.2 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.

3.3 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 payables 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.

3.3.1 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.

3.3.2 Employee Benefit

(a) Retirement Benefit Obligation

The movement in the retirement benefit obligation over the year is given below

	2016 (Rs.)	2015 (Rs.)
As at 01 st January 2005	40,942,627	36,686,637
Current Service Cost	3,260,668	3,194,029
Interest Cost	2, 809,761	2,440,993
Charged to profit and loss of the statement of comprehensive income	6,070,429	5,635,022
Actuarial losses / (gains)	(1,494,318)	(508,549)
Benefits paid	1,922,265	870,482
As at 31 st December 2015	43,596,474	40,942,627

The Commission has adopted the retirement benefit plan as required under the payment of Gratuity Act, No.12 of 1983 for all eligible employees. The retirement benefit plan is unfunded.

The retirement benefit plan defines 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. The Obligation 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.

The principal actuarial assumptions used were as follows.

Discount Rate	-	7% per annum
Rate of salary increase	-	1% - 6.7%
Retirement Age	-	60 years

(b) Defined Contribution Plans

Obligation for contributions to a defined contribution plans are recognized as an expense 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.

(c) Employee Provident Fund

All employees of the commission are members of Employee Provident Fund (EPF) to which employees contribute 10% of the basic salary and TRCSL contribute 15% of such employees' basic salary.

Employee Trust Fund

The commission contributes 3% of the basic salary of each employee to the Employees' Trust Fund.

3.4 Revenue recognition

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

3.4.1 Cess Fee

Cess fee which is charged as a percentage (2%) on Operators Gross Turnover is recognized on cash basis.

3.4.2 Operator License fee

Operator license fee is recognized on cash basis when the licenses are issued to the telecom operators under section (17) of the Sri Lanka Telecommunication Act, No. 25 of 1991 as amended by the Sri Lanka Telecommunication Amendment Act, No. 27 of 1996.

3.4.3 Vendor License Fee

Vendor license fee is recognized on cash basis when the licenses are issued to the persons under section (21) of the Sri Lanka Telecommunication Act, No. 25 of 1991 as amended by the Sri Lanka Telecommunication Amendment Act, No. 27 of 1996.

3.4.4 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.

3.4.5 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.

3.4.6 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.

3.4.7 Interest Income

Interest income comprises interest income on funds invested in short-term fixed deposit and Money Market Investments. Interest income is recognized as it accrues in gain or loss on the maturity date.

3.4.8 Income Taxes

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

Income Tax Classification

Year	Amount (Rs.)
2014	70,000,000
2015	21,982,852
2016	635,777,180
Total	727,760,032

3.4.9 Economic Service Charge (ESC)

ESC 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 there to, 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 Projects

3.6.1 Colombo Lotus Tower

The Telecommunications Regulatory Commission of Sri Lanka (TRCSL) has started construction of 350 meters high multifunctional TV & Telecommunication Tower known as the “Colombo Lotus Tower, following the Cabinet decisions of 27th October 2010 and 14th December 2011 under reference numbers 10/2473/401/301 and 11/2262/501/026 respectively. The construction of the tower also was awarded to the China National Electronics Importers & Exporters Corporation (CEIEC) and Aerospace Long March International Trade Co. Ltd (ALIT) by the Cabinet.

Having granted the Extension of Timing (EOT) to the contractor, the project is expected to be completed by 31st October 2017.

And a mega leisure park as the 2nd phase is to be planned/commenced once the Colombo Lotus Tower project is completed.

The cost of the construction was estimated to 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 where the Secretary to the Ministry of Finance & Planning then, has sign as the Guarantor on behalf of the Government of Sri Lanka. The balance 15% of the project cost which is amounted to US \$ 15.645 Million is to be borne by the TRCSL.

The percentage completed of the project was 61.25% which includes the total work done including material at site was US\$ 61.285 Million. Retention withheld and recovery of mobilization advance were US \$5.215 Million & US \$ 8.861 Million respectively as at 31-12-2016.

The total borrowing cost and the related expenses will be fully capitalized at the completion of the project as per the Sri Lanka Accounting Standard 23, because the EXIM Bank Loan is 100% dedicated loan obtained for the construction of the Colombo Lotus Tower Project.

3.6.2 Land – Lotus Tower

The Land Lotus Tower on which the “Colombo Lotus Tower” is being constructed, contains in extent of 7 Acres 2 Roots & 8.41 Perches (3.0564 Hectares) which is to be transferred to the Telecommunications Regulatory Commission of Sri Lanka (TRCSL) as per the Cabinet decision reference No. 11/2262/501/026/TBR, dated 22nd December 2011 from the Urban Development Authority (UDA) on the basis of interest free.

Having signed a Memorandum of Understanding (MOU) between TRCSL & UDA bearing the reference No. 5023 dated 23rd January 2012, it was agreed to make an initial payment of Rs.1, 500 Million and Rs.300 Million each for 34 years by TRC from the date of execution of the transfer agreement.

The vacant physical possession was handed over to the TRCSL by the letter of UDA, dated 18th July 2012 subject to the payment of utility bills and Assessment Rates to the relevant authorities from the date of handing over and same has been continuing by TRCSL. Relevant authorities are in the process of transferring the title ownership to the TRCSL subject to the procedures.

3.6.3 It Park Hambanthota Sooriyawewa

Telecommunications Regulatory Commission of Sri Lanka initiated action to establish a Telecommunication Media Center Project (Hambantota IT Park Project) as decided by the Cabinet of Ministers at its meeting held on 04th July 2012 based on the Cabinet Paper No 12/0836/501/019 dated 2012-06-14.

Sri Lanka Land Reclamation & Development Corporation (SLLRDC) was appointed as the Engineer to the Project, the construction contract was awarded to M/s Tudawe Brothers (Pvt) Limited., for a construction cost of Rs 2,493,870,318.00 after adhering to the approved tender procedure.

The contractor had completed the superstructure of the building up to the 3rd floor by June 2015 as scheduled. However, TRCSL, BOI and the Presidential Secretariat observed that the other development projects planned in the area have not been commenced and stressed the need to restructure the project.

Whilst SLLRDC as the engineering Consultant to this project was attending to the restructuring of the project, the contract between TRCSL and M/s Tudawe Brothers (Pvt) Ltd expired on 10th August 2016. Consequently, TRCSL had terminated contract with the M/s Tudawe Brother (Pvt) Ltd on the recommendation of SLLRDC being the Engineer to the Project. Total cost incurred so far for the project is approximately Rs 715 Million (Which includes 157 Million unrecovered advance) and Contractor, namely M/s Tudawe

Brothers (Pvt) Limited submitted referral to the Dispute Adjudication Board against the TRCSL's decision to terminate the Contract.

Telecommunications Regulatory Commission of Sri Lanka is currently exploring the possibility to proceed and develop this project on a Public-Private Partnership basis.

The percentage completed of the project was 33% which includes the total work done including material at site was Rs.350 Million. Retention withheld and recovery of mobilization advance were Rs.33.9 Million & Rs.67.9 Million respectively as at 31-12-2015.

3.7 Contingencies

(a) DC case No. 6188/2010

Mr. Gamini Rajapakse, proprietor of Gewaan Engineering filed a case in the District Court of Colombo bearing No. 6188/2010 citing Telecommunications Regulatory Commission of Sri Lanka as the Defendant.

The Plaintiff has filed this case to recover damages from TRC for breach of the agreement entered between the Plaintiff and Defendant on 19th July 2007. Under the reliefs sought, the Plaintiff is seeking Rs.1.5 Million in damages.

(b) HC Civil No. 137/2011

The case bearing No. HC (Civil) No. 137/11 was filed by Electrotecks Limited against TRC for Judgement /decree for a sum of Rupees 47,345,112,000 with legal interest up to the date of decree and aggregate amount of the decree till payment in full. A claim in reconvention has been made by the defendant for non- payment of the frequency license fees of Rs. 172,500,000 and Rs. 2,300,000 with legal interest from plaintiff.

TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA
 NOTES TO ACCOUNTS -31.12.2016
 (Expressed in Sri Lanka Rupees)

(Contd...)

4. PROPERTY, PLANT & EQUIPMENT

COST	BALANCE AS AT RE-STATED 01.01.2016	For the Year 2016		BALANCE AS AT 31.12.2016
		ADDITIONS	DISPOSALS/ TRANSFERS	
Lands	148,863,771	0		148,863,771
Lease Hold Lands	345,502	0		345,502
Buildings	150,381,065	0		150,381,065
Kokavil Tower	314,933,479	0		314,933,479
Vauniya Tower	29,900,741	0		29,900,741
Vehicles	168,717,224	0	0	168,717,224
Air conditioners	13,990,092	1,114,060		15,104,152
Elevators	4,683,848	0		4,683,848
Generators	2,665,428	0		2,665,428
Computers	90,699,387	1,100,100	75,000	91,874,487
Web Server	2,213,661	0		2,213,661
Other Office Equipment	28,618,979	3,077,159	40,000	31,736,137
Mobile Phones	1,061,867	0		1,061,867
Office Furniture	20,257,035	853,422	164,500	21,274,957
Technical Equipment	36,199,813	32,619,073	15,000	68,833,886
FMMS Project Surveillance Vehicles	61,712,127	0		61,712,127
FMMS Project Equipment	408,303,544	0		408,303,544
Gymnasium Equipment	5,629,707	0		5,629,707
Video Unit Equipment	10,961,059	1,611,207		12,572,266
Computer Software	3,440,168	4,989,606		8,429,774
	1,503,578,493	45,364,627	294,500	1,549,237,622
Land Lotus Tower	11,715,212,127	0	0	11,715,212,127
	13,218,790,620	45,364,627	294,500	13,264,449,749

DEPRECIATION	BALANCE AS AT 01.01.2016	For the Year 2016		BALANCE AS AT 31.12.2016
		ADDITIONS	DISPOSALS/ TRANSFERS	
Buildings	111,303,571	4,589,778		115,893,349
Kokavil Tower	150,057,430	31,493,348		181,550,778
Vauniya Tower	14,950,371	2,990,074		17,940,445
Vehicles	73,808,448	20,093,797		93,902,245
Air Conditioners	9,806,970	712,724		10,519,694
Elevators	4,683,848	0		4,683,848
Generators	2,665,428	0		2,665,428
Computers	71,623,881	8,216,696	75,000	79,765,577
Web Server	2,213,661	0		2,213,661
Other Office Equipment	20,130,158	1,643,532	40,000	21,733,690
Mobile Phones	577,577	80,279		657,856
Office Furniture	12,462,025	1,474,660	164,500	13,772,184
Technical Equipment	15,513,707	4,796,337	15,000	20,295,044
FMMS Project Surveillance Vehicles	3,908,451	7,714,016		11,622,467
FMMS Project Equipment	304,613,061	11,012,372		315,625,433
Gymnasium Equipments	4,209,180	1,407,427		5,616,607
Video Unit Equipment	10,121,839	563,074		10,684,912
Computer Software	1,508,019	4,528,919		6,036,938
	814,157,622	101,317,032	294,500	915,180,156

NET BOOK VALUE

12,404,632,997

12,349,269,594

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 Rood 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.

5. WORK IN PROGRESS

	BALANCE AS AT 01.01.2016	For the Year 2016		BALANCE AS AT 31.12.2016
		ADDITIONS	(TRANSFERS)	
Establishment of System Software	13,642,063	(13,642,063)		0
Entrance Lobby & Main H/O Building	10,057,910	0		10,057,910
Construction of Lotus Tower	9,077,571,973	1,561,358,609		10,638,930,582
IT Park - Hambantota	508,934,439	143,995,713		652,930,152
Double Cab - Imported	0	0	0.00	0
Renovation of Wash Room	0	0		0
	9,610,206,384	1,691,712,259	0.00	11,301,918,644

TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA
NOTES TO ACCOUNTS -31.12.2016
(Expressed in Sri Lanka Rupees)

(Contd...)

	<u>31.12.2016</u>	<u>31.12.2015</u>
<u>6. INVESTMENTS</u>		
Treasury Deposits	354,000,000	354,000,000
Fixed Deposit -People's Bank	0	12,750,000,000
Government Securities under Re-Purchase Agreement	0	9,150,000,000
	<u>354,000,000</u>	<u>22,254,000,000</u>
Interest Receivable on Fixed Deposits & REPO	3,097,404	206,553,336
	<u>357,097,404</u>	<u>22,460,553,336</u>
<u>7. MOBILIZATION ADVANCE PAYMENT</u>		
Mobilization Advance Payment -(LOTUS TOWER)	1,092,602,866	1,198,352,636
Mobilization Advance Payment -(IT PARK)	229,136,568	241,322,359
	<u>1,321,739,434</u>	<u>1,439,674,995</u>
<u>8. ACCOUNTS RECEIVABLE</u>		
CESS Receivable	397,538,451	339,219,175
TDC Receivable	1,208,927,093	887,621,501
Levy on OLAC Receivable	72,880,642	119,437,954
Telecom. Levy Receivable	1,892,659,609	1,913,596,295
Kokavil Tower Recoverable	91,665,480	83,477,886
Outstanding Staff Loans Recoverable	2,547,337	2,552,169
Air Ticket Receivable	0	0
Kokavil Lease Rental Receivable A/C	13,294,668	0
Short Code Receivable	20,433	0
Trade Debtors	2,870,904,371	2,225,048,960
Mobile Operators Levy	0	250,000,000
	<u>6,550,438,085</u>	<u>5,820,953,940</u>

08 A Trade Debtors

Radio Frequency Fees	3,212,914,856	2,597,816,315
Armature Radio License Fees	44,783	30,411
	3,212,959,639	2,597,846,726
Less - Provision for Bad Debtors **	(342,055,268)	(372,797,766)
	2,870,904,371	2,225,048,959

Note: (1)****Provision for Bad Debtors**

	<u>Debtors</u>		<u>Provisions</u>
More Than 02 Years	341,614,949	100	371,620,005
More Than 01 Year Less Than 02 Years	440,319	10	1,177,762
More Than 6 Months & Less Than 01 Year	0		0
More Than 2 Months & Less Than 6 Months	0		0
More Than 01 Month & Less Than 2 months	0		0
Less Than 01 Month	0		0
	342,055,268		372,797,766

Note: (2)

Trade debtors are stated at fair value after providing 100% & 10% provision for bad and doubtful debts over one year and above respectively.

TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA
NOTES TO ACCOUNTS -31.12.2016
(Expressed in Sri Lanka Rupees)

(Contd...)

	<u>31.12.2016</u>	<u>31.12.2015</u>
<u>9. PREPAYMENT AND ADVANCE</u>		
Pre Payments	0	0
Special Advances	575	575
Festival Advances	210,000	272,000
Purchase Advances	186,140	151,640
Fixed Assets Transit	0	4,900,075
	<u>396,715</u>	<u>5,324,290</u>
<u>10. LOANS AND OTHER RECEIVABLES</u>		
Distress Loans	27,999,773	25,890,225
Motor Vehicle Loans	98,511,236	105,620,762
Property Loans	2,702,529	3,114,049
Motor Cycle Loans	487,546	359,331
Salary Deduction Recoverable	27,655	27,655
Other Receivables	2,056,122	2,556,326
General Insurance Claim Receivable A/C	21,500	0
CEB Security Gurantee Deposit A/C (IT Park)	125,000	
VAT Control Account	0	141,450,189
Commissioner General of Inland Revenue (WHT)	0	0
Claimable Economic Service Charges	0	0
	<u>131,931,361</u>	<u>279,018,537</u>
<u>11. CASH & CASH EQUIVALENTS</u>		
Cash at Bank	11 A 7,986,416	641,035,061
Cash in Hand	11 B 55,000	237,503
Money Market Saving Account	12,055,152,097	275,396,397
	<u>12,063,193,512</u>	<u>916,668,961</u>
<u>11 A CASH AT BANK</u>		
People's Bank - Narahenpita Branch, (Deposit Account)		
A/c NO.119/RFC/SA/USD/0032	84,512,221	80,133,717
People's Bank - Narahenpita Branch, (Collection Account)		
Current A/c No.119-1-001-4-3693169	(115,434,747)	318,598,221
People's Bank - Narahenpita Branch, (ITO Levy)		
Current A/c No. 119-1-001-3-3693264	204,298	232,768,161
Bank of Ceylon - Narahenpita Branch		
Current A/c No.2323167	38,704,643	9,535,509
	<u>7,986,416</u>	<u>641,035,608</u>

11 B CASH IN HAND

Petty Cash - Head Office	10,000	10,000
Petty Cash - Admin & HR Division	5,000	5,000
Petty Cash - Kokavil	10,000	10,000
Petty Cash - Lotus Tower	25,000	25,000
Petty Cash - DG Office	0	15,000
Petty Cash - Compliance	5,000	5,000
Petty Cash - Investigation	0	0
Cash in Hand (Collection Account)	0	167,503
	55,000	237,503

12 GOVERNMENT CONTRIBUTIONS

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
	526,214,744	526,214,744

13 RETENTION

Retention - Lotus Tower	790,916,803	742,909,015
Retention - IT Park	88,281,496	63,909,914
	879,198,298	806,818,929

14 GRATUITY BENEFITS

Provision for Gratuity	43,596,474	40,942,627
Fixed Deposit (Gratuity)	(41,000,000)	(36,700,000)
Net Benefit Liability	2,596,474	4,242,627

15 ACCOUNTS PAYABLE**ACCRUED EXPENSES**

Telephone - Office	1,286,332	578,063
- Bungalow	0	225,472
Salaries Control (Contract Employees)	134,543	2,113,111
Salaries Payable	216,384	118,134
W & O.P. Payable	2,991	72,678
Electricity	2,670,660	2,640,460
Water	43,978	31,573
Janitorial Services	602,691	414,824
Security Services	1,782,235	1,252,200
Overtime	1,578,169	735,994
E.P.F	2,826,964	2,855,772
E.T.F	338,397	340,354
Internet	356,466	261,993
Medical Insurance Claims	250,995	250,995
Travelling & Subsistence Payable	19,460	
Staff Welfare	246,342	175,830
News Papers & Notifications	43,325	72,055
Audit Fees	1,278,110	1,267,520
Lease Rental	624,984	455,810
Bonus	19,774,777	18,319,345

Retention	40,595	60,595
2/3 Interest Reimbursement	0	200,962
Comm.Gen.IR (ESC, NBT & Stamp Duty)	49,092,689	0
Salary Deductions	228,055	87,292
Repairs & Maintenance	0	295,104
Air Ticket Payable	112,120	134,500
Stamp Duty Payable	1,033,933	853,310
PAYE Payable (Commission Members Allowances)	2,055,248	77,905
Miscellaneous	1,176,166	69,901,484
Provision for Income Tax	375,530,411	119,077,278
	463,347,017	222,870,612

16 ADVANCES, DEPOSITS AND OTHER PAYABLES

Revenue Received in Advance	3,937,101,869	4,821,396,341
Refundable Deposits for Tender	1,546,667	1,686,667
Refundable Deposits -Employees	2,086,843	2,086,843
Advances Received for 1800 MHz Band	57,500,000	57,500,000
ICT for Effective Disaster Management Summit	34,210	34,210
Ins.claim for damaged Antenna	25	25
Over recovery of Frequency Licence Fee	1,748,731	1,730,776
C.T.O Telecenter Project	924,492	924,492
VAT Control Account	32,931,752	0
Construction Creditors	751,650	751,650
	4,034,626,238	4,886,111,003

17 PAYABLE TO TREASURY

50% TDC Payable to Treasury	604,463,546	443,810,750
Levy on OLAC Payable to Treasury	72,880,642	119,437,954
Telecom Levy Payable to Treasury	1,892,659,611	1,915,632,763
Mobile Operators Levy	0	250,000,000
	2,570,003,799	2,728,881,467

18 INCOME

	-	-
Income- License Fees	18 A 15,859,309,005	11,654,266,334
Telecommunications Levy	30,346,376,676	27,859,339,451
Telecom Development Charges	18 B 8,690,591,326	5,865,810,050
Levy on Out Going Local Access Charges	1,127,678,211	1,605,715,317
Mobile Tele Operators Levy	0	1,250,000,000
	56,023,955,218	48,235,131,152

18 A INCOME - LICENSE FEES

System Operator License Fees	1,751,344,170	107,708,483
Cess Fees	4,067,179,362	3,840,742,141
Radio Frequency Fees	7,496,092,897	6,756,145,435
Frequency Upfront Fees	367,346,939	0
Vendor License Fees	14,770,619	13,086,877
Amateur Radio License Fees	72,958	55,738
Ship Station License Fees	892,001	764,455
Aircraft Station License	1,169,944	940,818
Cordless Phone Dealer Charges	90,760,198	66,757,611
Examination Fees	417,138	393,858
Application Processing Fees	1,632,651	6,531,511
Short Code Charges	19,387,755	14,795,918
Sundry Income - 18 A(1)	2,295,412,016	1,117,143,155
	16,106,478,647	11,925,066,000
Less :Nations Building Tax	(247,169,642)	(270,799,666)
	15,859,309,005	11,654,266,334

18 A(1) SUNDRY INCOME

Interest Income from Staff Loans	5,429,347	5,479,557
Interest Income from Deposits	1,964,452,870	365,370,996
Interest Income from REPO	136,562,247	602,626,438
Interest Income from Money Market Transactions	166,266,227	127,419,331
Other Income (Grant)	0	0
Kokavil Lease Rental	21,167,983	
Gain / (Loss) on Disposal of Fixed Asset	376,850	12,807,094
Recoveries from Court Cases	0	3,286,623
Miscellaneous	1,156,492	153,116
	2,295,412,016	1,117,143,155

18 B TELECOMMUNICATION DEVELOPMENT CHARGES (TDC)

TDC Revenue	8,690,591,326	5,865,810,050
Less:		
Disbursement of TDC	0	0
	8,690,591,326	5,865,810,049

19 REGULATORY EXPENSES

ITU Annual Subscription	24,876,586	22,317,681
APT Annual Subscription	2,278,072	2,080,912
SAFIR Annual Subscription	604,416	545,611
Contribution to SATRC	0	348,618
Library Annual Subscription	15,000	94,914
CTO Annual Subscription	3,997,302	4,228,300
Participating in Regulatory Affairs Work	22,228,930	15,006,042
Filling & Depending Court Actions	3,339,278	4,913,866
Public Awareness on Telecom Development	0	751,617
Network Development Monitoring	0	56,333
Survey for Payphone Industry	4,796	0
Net Internet Safe Child	487,646	0
Connect School/Con.Commu.	0	248,500
SATRC Meeting	0	0
Miscellaneous Regulatory Expenses	1,652,713	1,916,907
Communication Facilities for People with Special Needs	1,054,244	0
Economic Social Responsibility	101,575,000	12,913,925
Survey on quality of service	0	560,000
Visiting of Foreign Delegates	413,542	139,847
Global Symposium for Regulators	0	30,523,871
Development of ICT Practices	55,550	0
Magazine & Publication	0	3,885
Lotus Tower Project	209,531	310,042
Traveling & Subsistence for Regulatory Affairs	1,398,719	0
Hosting Int-Conference	0	882,992
	164,191,324	97,843,863

20 ADMINISTRATION & ESTABLISHMENT EXPENSES

Salaries	134,208,108	136,997,048
E.P.F. (15% Contribution)	19,310,021	32,730,228
E.T.F. (3% Contribution)	4,586,673	5,481,100
Cost of Living Allowance	0	0
Transport Allowance	18,756,408	18,784,215
House Rent Allowance	11,681,493	11,536,561
Other Allowances	1,553,687	3,475,727
Performance Incentive	29,097,764	28,975,290
Special Allowance	531,589	290,667
Additional Allowance	23,585,722	23,210,352
Bonus	12,549,822	12,392,498
Overtime	10,257,964	7,074,216
Chairman's Remuneration	1,200,000	798,362
Unutilized Vacation Leave	11,317,504	9,303,758
Commission's Contribution for Pension	485,815	855,998
Bungalow Telephones	2,778,853	2,693,413
Uniforms	474,511	473,350
Staff Welfare	8,422,002	7,229,695

Development of Sports Activities	887,567	1,193,361
Staff Professional Membership Subscript.	417,935	444,977
Local Training	1,376,700	244,750
Commission Members Allowance	175,000	111,500
Audit Committee Allowances	150,000	73,500
Housing Loan 2/3 Interest Reimbursement	3,137,421	4,321,359
Travelling & Subsistence	246,277	20,577
Gratuity	3,260,668	3,194,029
Electricity	13,879,419	12,825,132
Water	744,517	888,964
Janitorial Services	5,141,810	4,767,049
Security	8,399,435	5,003,893
Rates & Taxes	917,093	917,093
Library Books	167,125	124,100
Printing and Stationery	8,052,509	8,464,273
Fuel	2,714,740	2,457,155
Electrical Goods	132,950	843,153
Postage	879,546	1,052,542
Telephone, Fax and PABX	7,272,401	6,794,017
Insurance (Property & Medical)	46,605,122	47,619,530
Internet Charges	4,612,123	1,128,031
Vehicle Hiring Charges	0	180,000
Newspapers & Notifications	4,406,543	6,447,935
Consultancy fees	0	188,752
Seminars & Conferences	412,102	28,595
Audit Fees	600,000	600,000
Legal Expenses	417,504	476,228
Rentals for Leased Premises	442,660	1,714,648
Transport Chargers	0	67,760
Rentals for Internet Leased Line	0	3,543,909
Depreciation	101,317,032	83,706,446
Administration Miscellaneous	376,522	1,678,746
Purchases & Supplies Miscellaneous	1,069,214	552,078
Operating Cost Miscellaneous	868,384	141,148
Office Equipment Maintenance	2,494,583	4,063,125
Elevator Maintenance	585,000	0
Generator Maintanance	226,008	
Vehicle Maintenance	4,774,022	4,589,946
Building Maintenance	4,905,172	1,739,715
Technical Equip. Maintenance	1,572,029	1,451,096
Software Maintenance & Development	19,624,833	13,302,086
Upgrade Lotus Dominion Server	0	0
Monitoring System Upgrade	0	0
Monitoring System Upgrade	3,575,804	567,196
Towers Maintenance	739,294	38,960
	<u>548,374,998</u>	<u>529,869,832</u>

21 FINANCE & OTHER EXPENSES

Bank Charges	272,329	312,251
Stamp Duty	600	132,875
Interest on Gratuity Provision	2,809,761	2,440,993
	3,082,690	2,886,118

22 CONTRIBUTION TO THE CONSOLIDATED FUND

Contribution under Telecommunication Act for the Year Ended 31.12.2016	22-1	13,000,000,000	10,000,000,000
Contribution under Finance Act for the Year Ended 31.12.2016			
Telecommunication Levy Paid		30,343,930,211	27,861,285,917
50% Telecommunication Development Charges		4,345,295,663	2,935,118,252
Levy on OLAC Paid		1,127,678,211	1,605,715,317
Mobile Tele Operators Lavy (Special Lum Sum Tax)		0	1,250,000,000
		48,816,904,084	43,652,119,487

CONTRIBUTION UNDER TELECOMMUNICATION ACT

Out of total comprehensive income as at 31.12.2015	22-2	15,000,000,000	0
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23 CASH GENERATED FROM OPERATIONS

Net profit before tax		55,341,721,121	47,593,376,236
<i>Adjustments for</i>			
Depreciation on Property, Plant and Equipment		101,317,032	83,706,446
Provision for Bad & Doubtful Debtors		(30,742,498)	17,705,645
Retirement benefit obligation		3,260,668	3,194,029
Interest income from Fixed Deposit & REPO		(2,101,015,117)	(967,997,435)
Interest Income from Money Market Transactions		(166,266,227)	(127,419,331)
Interest cost on retirement benefit obligation		2,809,761	2,440,993
Gain on Foreign Currency Transactions		(2,672,418)	(6,550,542)
Gain on Disposal of Fixed Assets		(376,850)	(12,807,094)
Changes in Working Capital			
Accounts Receivable		(698,741,648)	(2,283,493,981)
Prepayment and Advance		4,927,575	(2,950,317)
Loans and Other Receivables		147,087,176	269,710,489
Accounts Payable		(15,976,728)	(45,956,017)
Advances, Deposits and Other Payables		(851,484,766)	2,316,352,449
Payable to Treasury		(158,877,668)	0
Cash generated from operations		51,574,969,413	46,839,311,572

23-1 ACCOUNTS RECEIVABLE

Cess receivable	397,538,451	339,219,175
TDC receivable	1,208,927,093	887,621,501
Levy on OLAC receivable	72,880,642	119,437,954
Telecom levy receivable	1,892,659,609	1,913,596,295
Kokavil tower recoverable	91,665,480	83,477,886
Outstanding staff loan recoverables	2,547,337	2,552,169
Air ticket receivable	0	0.00
Radio Frequency fees	3,212,914,856	2,597,816,315
Kokavil Lease Rental receivable	13,294,668	0
Short Code receivable	20,433	0
Amateur radio license fees	44,783	30,411
Mobile operator levy	0	250,000,000
	6,892,493,354	6,193,751,706
	(698,741,648)	

23-2 ACCOUNTS PAYABLE

As per Statement of Financial Position	463,347,017	222,870,612
Less: Provision for Income Tax	(375,530,411)	(119,077,278)
	87,816,606	103,793,334
	(15,976,728)	



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கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல.
My No. }

CMU/A/TRC/01/16/20

ඔබේ අංකය
உமது இல.
Your No. }

දිනය
திகதி
Date }

19 February 2018

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 2016 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 2016 comprising the statement of financial position as at 31 December 2016 and the profits and losses and comprehensive income statement, the statement of changes of equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carry 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 issued to the Chairman of the Commission on 06 December 2017.

1.2 Management's Responsibility for the Financial Statements

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

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



+94-11-2887028-34



+94-11-2887223



oaggov@slt.net.lk



www.auditorgeneral.gov.lk



1.3 Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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. And audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

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

1.4 Basis for 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 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 2016 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

Following non-compliances were observed during the course of audit.

(a) Sri Lanka Accounting Standard 01

Even though action should be taken to show the expenses incurred by an entity in the financial statements according to the nature of expenses or the relevance to the functions of the entity as per Section 99 of the Standard, a sum of Rs. 101,575,000 incurred on activities extraneous to the functions of the Commission had been shown in the financial statements as regulatory expenses.

(b) Sri Lanka Accounting Standard 16

- (i) An area of about 50 per cent of land 112 acres, 01 rood, and 10.5 perches in extent, which had been shown by a note to accounts during the past 13 years, had been acquired by the Divisional Secretariat, Katana. This had not been disclosed in the financial statements during the year under review.



(ii) The fully depreciated fixed assets amounting to Rs. 473,547,519 was still in use, due to non-reviewing the useful life time of the non-current assets annually. Accordingly, actions had not been taken to revise the estimated error in accordance with the Sri Lanka Accounting Standards 08.

(c) Sri Lanka Accounting Standard 18

As operator licenses had been renewed once a 10 and 05 years, the renewal fee of licenses had been recognized as an income of the year of renewal. However, the accounting policy followed in that connection had not been disclosed in the financial statements. Accordingly, the operator license fees revenue amounting to Rs. 107,708,483 in preceding year had varied up to Rs. 1,751,344,170 during the year under review.

(d) Sri Lanka Accounting Standard 23

A loan amounting to US \$ 88.66 million had been obtained in the year 2012 for the construction of Colombo Lotus Tower, and a sum of US \$ 43.75 million of that had been spent up to the end of the year under review. Even though, a borrowing cost of Rs. 1,987 million had been incurred on the said loan up to the end of the year under review, the qualified amount of borrowing cost that had been capitalized as per the Standard had not been disclosed in the financial statements.

(e) Sri Lanka Accounting Standards 38

Even though computer software shall be included to the financial statements under the Intangible Assets, computer software amounting to Rs. 8,429,774 had been included in the Property Plant and Equipment.



2.2.2 Accounting Deficiencies

The following observations are made.

- (a) A sum of Rs.761,531 and Rs. 146,750 incurred on fixed assets for computer networking and purchasing of water pumps respectively during the year under review, had been showed under the renovation and maintenance expenses.
- (b) Even though the Value Added Tax payable as at 31 December of year under review amounting to Rs. 60,447,939 as per schedule, it was Rs. 32,931, 752 as per statement of financial position. It had caused to understated that balance by Rs. 27,516,187.
- (c) Even though interest received for fixed deposits of retirement benefit amounting to Rs. 3,097,404 during the year under review should be disclosed by adding to the fixed deposit of retirement benefit, it had been added to the investment of the statement of financial position.
- (d) Expenses amounting to Rs. 7,568,582 payable by the end of the year under review including the expenses incurred on the consultancy services obtained in connection with the construction of Lotus Tower Project, had not been accounted as accrued expenses.
- (e) Receivables amounting to Rs. 3,572,005,795 related to Cess fees, Telecommunication Development Charges(TDC), Outgoing Local Access Charges (OLAC) and Telecommunication Levy had been recognized in financial statements, which were not recognized on accrued basis as per No. 3.4 of notes to the financial accounts.

2.2.3 Un-explained Differences

The following observations are made.

- (a) Even though cess fees receivable balance shown in the financial statements in the year under review amounting to Rs. 397,538,451, it was Rs. 395,260,175 as per schedule. Accordingly a difference of Rs. 2.278,276 was observed.



- (b) Even though the balance of the salary control account should be zero, it had a balance amounting to Rs. 134,543 at the end of the year under review.
- (c) Even though frequency revenue amounting to Rs. 7,496,092,897 as per financial statements, it was Rs. 7,028,943,336 as per monthly tax schedules. Accordingly, a difference of Rs. 467,149,561 was observed.

2.3 Accounts Receivable and Payable

The following observations are made.

- (a) Nine institutions had been awarded for use of Kokavil Antenna and Transmission Tower on rent basis and there were no agreements relates to the 05 institutions out of that. Accordingly, there were no any procedure to collect rental and electricity bill receivable and it had taken 3 to 6 years by the end of the year under review. A sum of Rs. 91,665,480 had been paid by the Commission as electricity bills, which should be received from those institutions from the year 2012 to the year under review.
- (b) System Operator license fees receivable from two telecommunication operators as at 31 December of the year under review had not been calculated and shown in the financial statements.
- (c) Levy and surcharge had not been collected correct manner from 5 operators as per Telecommunication Act No. 21 of 2011.
- (d) Due to not having proper procedure to collect frequency revenue, debtors of the Commission amounting to Rs. 341,614,949 had been outstanding over 02 years, out of debtor balance of Rs. 3,212,959,639 at the end of the year under review of the Commission. Balances that remained outstanding over a period of more than 20 years had also been included therein.



- (e) The receivable amounting to Rs. 154,438,373 for frequencies provided to the Sri Lanka Broad casting Corporation from 1981 to the year 2016, had been failed to recover.
- (f) Annual license fees from 1 March 2008 to 28 February 2009 amounting to Rs. 172,500,000 should be recovered from the Electrotech Limited.
- (g) Selection of debtors for sending confirmations had been done without any basis and even though there were 2,619 debtors amounting to Rs. 3,212,959,639 as at 31 December of year under review, confirmation had been send only to the 90 debtors. Out of that, 69 debtors represent zero balances and value of the remaining 21 debtors amounting to Rs. 863,061,566.

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

Following non-compliances were observed during the course of audit.

Reference to Laws, Rules, and Regulations

Non-compliance

- | | |
|--|--|
| <p>(a) Section 11 of the Finance Act, No 38 of 1971 and Section 8.2.2 of Public Enterprises Circular No. PED/12 dated 02 June 2003</p> | <p>A sum of Rs. 5,400,000,000 had been invested in fixed deposits by the Commission during the year under review without approval of the Treasury.</p> |
| <p>(b) Inland Revenue Act No. 10 of 2006 and Public Enterprises Circular No. 03/2016 dated 29 April 2016</p> | <p>Even though the PAYE tax should be remitted to the Department of Inland Revenue after being deducted from the salaries of the relevant officers, a total sum of Rs. 7,231,842 had been remitted from the funds of the Commission during the year under review contrary to that provision.</p> |



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

(i) Financial Regulation 261(3)

The Cash Book should be totalled and the balance ascertained daily. No payments should be recorded in the Cash Book, or a cheque drawn out for payment, unless there is sufficient money available. However balance of Peoples Bank account had been showed negative value of Rs. 115,434,747 as at 31 December of the year under review.

(ii) Financial Regulation 757(2)

A Board of Survey had not been conducted for the year under review and the reports had not been furnished to the Auditor General.

(d) Section 9.3 of Public Enterprises Circular
 No.PED/12 dated 02 June 2003

Scheme of recruitment had been prepared and used on the approval of the Commission for recruitment of officers and employees to the Commission, without obtaining the consent of the Treasury.

(e) Section 2.3 of Public Enterprises Circular
 No. PED/03/2015 dated 17 June 2015

Even though a person employed in another entity in addition to his permanent entity, will be paid only 50 per cent of due allowance of second post, total allowance of Rs. 100,000 had been paid to the Chairman of the Commission as allowance for second position according to the commission decision with effect from July 2015.

(f) 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 People's Companies should be done by the Attorney General as decided by the Cabinet of Ministers. Contrary to that, a sum of Rs. 1,349,408 had been paid to persons by the Commission during the year under review for obtaining legal services.



(g) Treasury Circular No. 842 dated 19 December 1978 Details had not been included in the Fixed Assets Register in order to identify the items separately. Even though, Rs. 148,863,771 had been recognized as value of the lands under the Property Plant and Equipment, what are the lands and values of the lands had not been recognized separately.

(h) Government Procurement Guideline of 2006

(i) Section 2.8.4

Even though, at least one member shall be from line ministry or external to Procuring Entity who is conversant with procurement, all three members appointed for Technical Evaluation Committees were officers of the Commission in 6 occasions for total procurement value amounting to Rs. 15,674,324.

(ii) Section 4.2.1

Even though the Master Procurement Plan and Detailed Procurement Plan should prepared for 3 years and next upcoming year respectively, Annual Procurement Plan had not been prepared as per given format by the Commission.

2.5 Transactions not supported by adequate authorities

Following observations are made.

- (a) A sum of Rs. 53,329,079 had been paid to the staff, for the year under review as incentive, bonus and house rent allowances based on the decisions taken by the Commission and internal circular, contrary to the Management Service Circular No. 39 dated 26 May 2009.



- (b) Even though monthly travelling allowance for non-executive officers amounting to Rs.2,000 had been approved by No. NS CC/3/ABC/24 letter dated 1 June 2007 of National Salary and Cadre Commission, monthly travelling allowance amounting to Rs.6,000 had been paid by the Commission. Accordingly, a total sum of Rs.18,756,408 had been paid during the year under review.

03. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Commission for the year under review in excess of Rs.54,613,961,089 as compared with the corresponding excess of Rs.47,215,344,134 for the preceding year, thus indicating an improvement of Rs.7,398,616,955 in the financial result of the year under review. The increase in the revenue of license fees, telecommunication levy and telecommunication development charges amounting to Rs.9,516,861,172 had mainly attributed to the above improvement.

Although the increase in the contribution for the year under review amounted to Rs.7,754,827,633 as compared with the preceding year, the increase in the contribution for the year under review amounted to Rs.7,366,312,711 after removal of the effect of frequency upfront fee and effect of Kokavil lease rentals amounting to Rs. 367,346,939 and Rs. 21,167,983 respectively.

3.2 Analytical Financial Review

Significant variances were observed in income and expenditure of the Commission as compared with that of the preceding year.

- (a) Interest income on fixed deposits had increased by 438 per cent as compared to the preceding year due to average interest rate on fixed deposits was 6.5 per cent in 2015 and 10 per cent in 2016.



- (b) Frequency upfront fees collected from a private institutions amounting to Rs. 367,364,939 had caused to increase the frequency upfront fee by 100 per cent in year 2016.
- (c) Increase in economic social responsibility expenses by Rs. 88,661,075 compared to the preceding year had caused to increase the regulatory expenses by 68 per cent.
- (d) Lease rental receivable amounting to Rs.13,274,668 from year 2011 from the operators who use the Kokavil Antenna and Transmission Tower, recognized in the year under review had caused to increase that value by 100 per cent.

3.3 Legal proceedings instituted against the Commission

Two external institutions had claimed compensation totaling Rs. 47,346,612,000 from the Commission in connection with the non- implementation of the frequency project and breach of contract agreement.

04. Operating Review

4.1 Performance

Following observations are made according to the action plan of the year under review.

- (a) Even though, a sum of Rs. 702.5 million had been allocated for three essential programs planned under the spectrum division and Net Safe Child Protection Programme proposed to implement under the legal division which recognized as a social need, such programs had not been implemented.
- (b) Progress of providing services to telecommunication operating Companies for improvement of high speed internet capacity was 70 per cent. It had reported that the implementation was done only to the Dialog Company and construction of SE-ME-WE-S underground center of Sri Lanka Telecom had not been completed during the year 2016.



- (c) It had obtained only the proposals by the Commission, for the research on telecommunication sector which should be implemented with the support of Universities and Research Institutions of Sri Lanka. It had been reported that the implementation of future activities postponed to the year 2017 due to transfer of officers.
- (d) Progress of the E-Nable Information Technology Promotion Programme which was started to implement by the License division was only 50 per cent. It had been informed that remaining works were postponed to the year 2017 due to transfer of officers.
- (e) Director General had informed that the International Telecommunication Union Expert Assistance Programme 2015/2016 had been postponed which was proposed to be implementing by license division due to the need of amendments to the Telecommunication Act.
- (f) Even though the guideline review of construction of telecommunication towers and use in partnership should be held monthly, only two meetings were held during the year 2016.

4.2 Management Activities

The following observations are made.

- (a) Four fixed deposits amounting to Rs.7,000,000,000 had been withdrawn before the maturity for sending the cash to the Treasury, and loss of interest income amounting to Rs. 213,805,480 had been occurred due to withdrawn before maturity.
- (b) Cess fees had not been paid by three institutions out of telecommunication operators, in accordance with the Section 22(g) of Telecommunication Act of Sri Lanka and notification published in the Extra Ordinary Gazette No. 1686/4 dated 27 December 2010 of Democratic Socialist Republic Sri Lanka. Out of that, one institute for the year 2012, another institute for year 2015 and 2016 and other one for year 2016, had not paid the cess fees. Even though need of impose a fine from operators who had defaulted to pay the cess fees or delayed making payments had been informed time to time, such procedures had not been prepared up to now.

4.3 Operating Activities

Following observations are made.

- (a) Monitoring usage of frequency license of Radio and Television
- (i) Due to the fact that the same officer performed all the activities including deciding on what are the institutions to be monitoring the usage of frequency license, monitoring such institutions, recommending the actions for monitored institutions, complain to the Police, and acting as the witness for complain, monitoring of frequency license had not been implemented properly.
 - (ii) The vehicles given to the Spectrum division for observation activities were not in usable condition. There was interrupts to perform the monitoring activities in effective manner, as those vehicles had been purchased before 16 years.
 - (iii) Usable vehicle with frequency equipment had checked the usage of frequencies only 8 travel times for 17 institutions from 01 January 2015 to 01 August 2016. Accordingly, this vehicle was underutilized due to lack of frequent use frequency.
 - (iv) License condition had been imposed, in respect of transfer the radio, television frequency equipment to another party or use under their knowledge had not been allowed without permission of Telecommunication Regulatory Commission of Sri Lanka. Commission had revealed that the equipment of 5 institutions, who received broadcasting equipment, had been acquired and implementing by another institution. However, actions had not been taken in this regard.
 - (v) It was revealed that, changes had been occurred in the channel name, business name, director board, and address and business registration number of broadcasting Companies / institutions, who received radio and television frequencies. Commission had not followed any procedures to collect information related to such changes and it was observed that the relevant institutions also had not presented that information. In this case, license had been issued by the Commission without confirming changes in ownership of the Companies who received frequencies.



(b) Collecting license revenue from sellers

- (i) License should be taken which is issued by the Commission for manufacture, import, sell, offer for sale, deal in transfer, hire, lease, demonstrate, maintain or repair by way of trade any telecommunication apparatus in Sri Lanka as per Section 21 of the Telecommunication Act No. 25 of 1991 amended by Telecommunication Act No. 27 of 1996. Commission had decided that, the fees should be paid when obtaining the license as per notification on Extra Ordinary Gazette No. 1182/12 dated 03 May 2011.

However, it was revealed that different institutions were engaging business activities without obtaining licenses. Out of sample of 90, 79 institutions who engaged in such business activities, had not obtained licenses.

- (ii) Even though, 1103 institutions were recorded according to the sellers' information on issued licenses during the period 01 January 2014 to 25 October 2016, licenses of 274 institutions had been expired by 25 October 2016. Even though, it was informed that the letters had been sent to the license holders to renew license in time, actions had not been taken for not renewing licenses.

- (c) Even though decision had been taken in year 2013 to establish Control Equipment Identity Register by Telecommunication Regulatory Commission with the aim of avoiding supply of fake phones to the market, it had not been implemented up to date.

- (d) Even though, income tax liability of the Commission for year under review amounting to Rs. 321,765,766, any of the quarter payments had not been done during the year. For third and fourth quarters, Rs.125 million each had been paid in delay on 7 April 2017.

4.4 Uneconomical transactions

The following observations are made.

- (a) A sum of Rs. 4,700,370 had been incurred from Commission fund during the year under review on accommodation, foods and miscellaneous expenses in respect of the get-together and the trip for the employees and their families.



- (b) Even though advertising is adequate at least in one widely circulated national newspaper as per Section 3.2.2 (a) of the procurement guideline, advertisements had been published in 06 newspapers in June 2015 incurring a sum of Rs. 4,213,694 by the Commission in respect of recruitment of employees for 70 staff vacancies. However, recruitments had not been done for these vacancies.

4.5 Transactions of contentious nature

For the production of a film and a tele drama, an activity that was unlikely to be in line with the objective of the Commission, a sum of Rs. 32,191,906 and Rs. 7,160,400 had been incurred on approval of the Commission in year 2015 respectively.

4.6 Procurement and contract process

The following observations are made relates to the Lotus Tower Project.

- (a) The Project which had been scheduled to be complete within a period of 912 days by 12 May 2015, the decision had been taken to extend again up to 31 October 2017 by 903 days. Even though Project had not been completed until 31 December 2017, extending the period of contract and charging delay damages as per contract had not been done.
- (b) As per the agreement dated 15 February 2013 with the University of Moratuwa for providing consultancy services, 1.5 per cent of the contract value amounting to Rs. 198,691,500 fixed amount had been agreed to pay in installments. Telecommunication Regulatory Commission had agreed to pay Rs. 3 million per month up to maximum of Rs. 72 million due to extend of contract period up to October 2017 and a sum of Rs. 66 million had been paid up to July 2017.
- (c) Even though decision had been taken by Cabinet of Ministers dated 14 December 2011 for transfer the land to Telecommunication regulatory Commission by Urban Development Authority on the basis of charging only expenses incurred up to now by the Urban Development Authority for the selected land as a project of national importance, land had not been transferred up to now. However, Commission had agreed to pay a sum of Rs. 11,612 million by 34 years as the value of the land contrary to the Cabinet Decision and a sum of Rs. 2,250 million had been paid as at 31 December 2015.



- (d) Even though order given by the Committee on Public Enterprises dated 23 June 2016 to submit a report to the Committee within a month of period including details of benefit obtain, if the Commission does not obtain a loan and this construction is done with the monies of the Commission as per order 9, such report had not been presented. Even though Committee on Public Enterprises dated 23 June 2016 had emphasized to perform internal audit for construction of Lotus Tower, such internal audit had not been performed.
- (e) Even though, it is essential to planning the parking facility of vehicles for the Project, planning had not been done for development of such infrastructure in first phase. It was observed that, there will be a loss of potential income as parking facilities have not been implemented at the first phase.

4.7 Personnel Administration

The following observations are made.

- (a) Even though the approved cadre of the Commission as at 31 December of the year under review was 292, the actual cadre stood at 207. There were 89 vacancies and the excess cadre was 04. Amendments to the approved cadre and approved recruitment procedure had not been completed and recruitments had not been done for the essential services.
- (b) Even though the post of Assistant Accountant is not an approved post, two Assistant Accountants had been recruited on permanent basis on 01 January 2015. In addition to that, there was excess cadre in two Office Assistants.
- (c) Action had not been taken to fill the vacancies of permanent cadre including 03 posts of Additional / Deputy Director General and 12 and 07 officers engaged in servicing as at 31 December 2016 on secondary basis and contract basis respectively.



5. Accountability and Good Governance

5.1 Presentation of Financial Statements

Even though, the Draft Annual Report and Accounts should be rendered to the Auditor General within 60 days after the close of the financial year as per Public Enterprises Circular No. PED/12 dated 2 June 2003, financial statements had been submitted on 10 August 2017. Draft Annual Report had not been furnished with that.

5.2 Tabling of Annual Reports

Annual Report for the year 2014 and 2015 had not been tabled in Parliament even by September 2017.

5.3 Procurement Plan

The following observations are made.

- (a) 13 goods items amounting to Rs. 7,375,000 which was planned to buy as per procurement plan, had not been purchased. Director General of the Commission informed that, only the essential goods were purchased by considering the price of the product and actual requirement.
- (b) Even though a sum of Rs. 10,000,000 and Rs. 954,000,000 had been allocated to computerize of Finance Division and modernization works of Head Office respectively, that activities had not been performed.
- (c) 39 goods items had been purchased amounting to Rs. 10,346,157 which was not included in the procurement plan and 25 items amounting to Rs. 3,579,867 had been purchased by exceeding the estimated cost in 3 occasions.



5.4 Budgetary Control

Positive variance ranging from 11 per cent to 221 per cent and negative variance ranging from 7 per cent to 356 per cent were observed between the budgeted values and the actuals approved by the Commission on 29 December 2015. Furthermore, a sum of Rs.35 million had been incurred in 11 occasions without budgetary allocation. As such, it was observed that the budget had not been made use of as an effective instrument of management control.

6. Systems and Control

Deficiencies in systems and controls observed were reported to the Chairman of the Commission from time to time. Special attention is needed in respect of the following areas of control.

Area of Systems and Controls

Observations

(a) Control of Loans	Existence of loan balances that had remained outstanding for over a long period of time, and recovery of loans remained at a weak level.
(b) Revenue Control	Failure to obtain approval for sufficient legal provisions on the collection of revenue.
(c) Payment of Allowances	Payment of allowances on the decisions of the Commission for incentive, bonus, and house rent allowance without approval of the Treasury.
(d) Contract Administration	Delay in the construction of Lotus Tower on due dates.

Sgd./ H.M. GAMINI WIJESINGHE
Auditor General

H.M. Gamini Wijesinghe

Auditor General

www.trc.gov.lk | dgtsl@trc.gov.lk

TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA

276, ELVITIGALA MAWATHA, COLOMBO 08, SRI LANKA

T: +94 11 268 9345 | 2689351 | 2689352 | F: +94 11 268 9341