

Transactions of the Selacine Television Institute

The audit on the operations of the Selacine Television Institute for the year ended 31 December 2019 was carried out under my direction in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be tabled in Parliament appear in this report.

1. Financial Statements

1.1 Responsibilities of Management and Those Charged with Governance for the Financial Statements

As per Sub-section 16 (1) of the National Audit Act No. 19 of 2018, every auditee entity is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the entity. In terms of Sub-section 16 (2) of the said Act, the Chief Accounting Officer is required to submit the Annual financial statements to the Auditor-General along with the annual performance reports, within such period as may be provided by rules. In pursuance of Sub-section 38 (1) (d) of the Act, the Chief Accounting Officer shall ensure the timely preparation and submission of annual and other financial statements and in addition the Chief Accounting Officer shall be required to submit annual reports to Parliament pertaining to the auditee entity.

1.2 Failure to Submit Financial Statements to the Audit

In terms of Section 6.5.1 of the Public Enterprises Circular No.PED/12 dated 02 June 2003, financial statements together with the draft annual report of the Institute for the year under review shall be submitted to the Auditor General with copies to the Line Ministry and the Public Enterprises Department within 60 days from the end of the financial year. Nevertheless, those had not been submitted even by the date of this report.

2. Operating Review

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

Reference to Laws, Rules, and Regulations, etc.	Non-compliance	Comment of the Management	Recommendation
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R. 396	Action had not been taken according to the Financial Regulation in respect of 08 cheques worth Rs.174,241 elapsed for more than 06 months.	Not commented	Action should be taken in terms of Financial Regulation

(b) Public Enterprises
Circular No. PED/12
dated 02 June 2003.

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| (i) Section 8.2.1 | Although surplus of the revenue pertaining to each year should be remitted to the Treasury, Institute had not taken steps accordingly. | Action will be taken on this matter in due course in consultation with the top management and the Board of Directors. | Action should be taken in accordance with the circular instructions. |
| (ii) Section 8.2.2 | Institute had invested Rs.32 million in fixed deposits and approval of the Minister of Finance had not been taken to invest Rs.27 million of the above sum. | Approval of the Ministry of Finance had been taken to invest funds in the fixed deposits. | Action should be taken in accordance with the circular instructions. |
| (iii) Section 8.3.3 (a) | Although financial statements of the previous year should have been rendered to the Auditor General within 60 days from the end of that year in order to be entitled for the payment of bonus, financial statements for the year 2018 had been submitted on 05 August 2019, after a delay of 157 days. Nevertheless, bonus of Rs. 1,816,823 had been paid in the year 2019 based on the profit of the year 2018. | These payments were made following the discussion with the Chief Accounting Officer and the letter forwarded therefor is attached herewith. | Action should be taken in accordance with the circular instructions. |
| (iv) Section 6.5.3 | Annual Report for the years 2017 and 2018 had not been tabled in Parliament even by 31 December 2020. | It could not be done due to epidemic situation prevailed in the year 2020 and action will be taken to table the reports relevant to the above 2 years. | Action should be taken to table reports in accordance with the circular instructions. |

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| (c) | Public Finance
Circular No.PF/PE
05 dated 11 January
2000 | Although approval of the Cabinet or Ministry of Public Administration or the General Treasury should be obtained in awarding additional allowances and other benefits to the staff, contrary to that, sums totaling Rs.32,500 at Rs.500 per month had been paid as the attendance allowance and Rs.16,490 had been spent for birthday parties of the staff members during the year under review. | Although approval was received to increase the attendance allowance up to Rs.1000 on 14 December 2019, it has not been implemented up to date. Due to change in the administration in November 2019, funds allocated for birthday parties of the staff members were not spent. | Action should be taken in accordance with the circular instructions. |
| (d) | Public Administration
Circular No.05/2008
dated 06 February
2008 and
No.05/2008(1) dated
24 January 2018 | Institute had not taken action to compile and implement a citizen charter. | Not commented | Action should be taken in accordance with the circular instructions. |

2.2 Accounts Receivable and Payable

2.2.1 Receivables

Audit Observation	Comment of the Management	Recommendation
The balance of the debtors totaled Rs. 318 million as at 31 December 2019, and that included a debtor balance continued to exist over 5 years representing 30 per cent and the balance representing 23 per cent continued to exist from 01 to 05 years. Nevertheless, action had not been taken to recover those balances.	Arrangements have been made to recover the outstanding due from the Ceylon Electricity Board and monies that remained outstanding relating to the opening ceremony of the Nevil Fernando Hospital. Accordingly, a progress is expected therefrom in the future.	Expeditious steps should be taken to recover the outstanding balances.

2.3 Procurement Management

Audit Observation	Comment of the Management	Recommendation
<p>Selacine Television Institute had charged Rs. 4,108,637 for creating two television advertisements on behalf of the Sustainable Energy Authority and had paid Rs. 3,428,150 to a private firm for creating advertisements. The provisions of the Government Procurement Guidelines 2006 had not been followed in selecting the Service Provider and without obtaining advance payment security as per Procurement Guidelines 5.4.4, fifty per cent of the contract value or Rs. 1,714,075 had been paid to the contractor as advance. In addition, no action had been taken to recover the late fee of Rs. 171,407 representing 05 per cent to be recovered on late execution of the contract, in accordance with Section 2 of the Agreement</p>	<p>Not commented</p>	<p>Action should be taken in accordance with the Procurement Guidelines</p>

2.4 Management Inefficiencies

Audit Observation	Comment of the Management	Recommendation
<p>(a) As the amount spent for publishing advertisements on National Ceremony for Granting Samurdhi Assistance in newspapers had not been stated in the estimate, a sum of Rs.118,238 could not be recovered.</p>	<p>Not commented.</p>	<p>Estimates should be properly prepared.</p>
<p>(b) According to the Action Plan, it was observed in the evaluation of performance of the year under review that only 50 per cent of the graphic and printing revenue targets and 40 per cent of the production revenue targets had been achieved, and that the introduction of Management Accounting System had not been completed within the prescribed timeline.</p>	<p>Action will be taken to correct this error during the current year. Action will be taken to consult this matter again with that institute and reach a final decision accordingly.</p>	<p>Steps should be taken in accordance with the Action Plan.</p>

3. Accountability and Good Governance

3.1 Corporate Plan

Audit Observation	Comment of the Management	Recommendation
Without being prepared a Corporate Plan for the year under review as required by Section 5.1 of the Public Enterprises Circular No.PED/12 dated 02 June 2003, only an Action Plan had been prepared. Although approval of the Board of Directors should be obtained for the relevant proposals 15 days before the commencement of each financial year, no details were furnished to audit that the relevant approval was obtained.	Corporate Plan and Action Plan were prepared and approval for those two reports could not be obtained due to not appointing a Board of Directors from December 2019 to December 2020.	Action should be taken in accordance with the circular provisions.

3.2 Budget

Audit Observation	Comment of the Management	Recommendation
In terms of Section 5.2 of the Public Enterprises Circular No.PED/12 dated 02 June 2003, the budgeted financial statements should be presented together with the approved annual budget. Nevertheless, action had not been taken accordingly.	Action will be taken to submit the financial statements to the Board of Directors meetings to be held in future and obtain approval therefor.	Action should be taken in accordance with the circular provisions.