

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Rupavahini Corporation for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of comprehensive income statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 and the Finance Act No. 38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report. In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Corporation as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Corporation 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 Corporation.

1.4 Audit Scope

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Corporation and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Corporation has complied with applicable written law, or other general or special directions issued by the governing body of the Corporation;
- Whether the Corporation has performed according to its powers, functions and duties; and
- Whether the resources of the Corporation had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations over the preparation of Financial Statements

1.5.1 Non –compliance with Sri Lanka Accounting Standards.

Non- compliance with reference to the relevant standard	Management comment	Recommendation
(a) Although property and plant had been purchased at Rs. 16,162,280 in the year 2021 out of the grant of Rs. 150 million received in the year 2019, amortization had been done for the full amount of the government grant since the year 2019. However the other income for the year under review had been overstated by Rs. 3,232,456 due to the fact that the government grant had been amortized with respect to the assets purchased in the year 2021.	In connection with the property and plant valued at Rs. 18,252,714.00 mentioned under the matter, this value was included in the capital items received as government grant of Rs. 150 million in the year 2019. Amortization for the full amount of the said grant was started in the year 2020 and it has been amortizing annually. Therefore the said value which was transferred to the asset account in the year 2021 should not be amortized in the year 2021.	Amortization should be done accurately.
(b) According to the section 17 of the Sri Lanka Accounting Standard 24 (LKAS 24) related parties should be disclosed in the financial statements. However the relevant information of the compensation of the key management personal for the year under review had not been disclosed in the financial statements by the Corporation.	Actions were taken to disclose the information relating to the related parties in the financial statements as per the Standard No.24 and actions were taken to make such disclosures in the financial statements for the year 2021 as well (Financial statements page No. 18-9	Actions should be taken as per the provisions of the standard.

Head). However actions will be taken to disclose information relating to the compensation as pointed out as here since the following year.

- | | | |
|---|--|---|
| <p>(c) According to the section 79 of the Sri Lanka Accounting Standard 16, the carrying value of the property plant and equipment at the cost of Rs. 3,301,748,267 which had been fully depreciated but currently in use had not been disclosed in the financial statements.</p> | <p>The details relating to the fixed assets valued at Rs.3,301,748,267.00 mentioned here were shown in page No. 26 and 27 under the note No.08 in the financial statements and detailed documents were included in the schedules. Further this was disclosed in the note 3.3 of page 08 of the financial statements.</p> | <p>Actions should be taken as per the provisions of the standard.</p> |
|---|--|---|

1.5.2 Accounting deficiencies

----- Audit Observation -----	----- Management Comment -----	----- Recommendation -----
Cancelled cheques valued at Rs. 14,044,703 which had been issued for the period from the year 2013 to the year 2019 had been taken into accounts as sundry income during the year under review.	Not commented	Income should be recognized accurately.

1.5.3 Going concern of the Organization

----- Audit Observation -----	----- Management Comment -----	----- Recommendation -----
Although a loss had been incurred by the Corporation for the year 2017, it had been converted to a profit in the year 2018 due to the government grant. However continuous losses had been incurred by the Corporation during the past 5 years. The bank overdraft as at the end of the year 2017 was Rs. 316,510,538 and it had been Rs.	Not commented	Immediate actions should be taken to reduce the losses which had been affected to the going concern of the Corporation.

258,728,044 in the year 2020 whilst it had been Rs. 237,068,873 as at the end of the year under review. These continuous losses had been affected adversely to the assets and equity and it was observed that there was an uncertainty of the going concern of the Corporation without financial assistance of the government.

1.5.4 Documentary Evidences not made available for Audit

Item	Amount	Evidence not made available	Management comment	Recommendation
-	-	(a) The balance of client debtors as at the end of the year under review was Rs. 377,270,977 and out of that, a sum of Rs. 175,329,456 had been represented by government institutions and Rs. 201,941,521 by private institutions. Further debtor balances of Rs.88,959,971 represented by government institutions and Rs. 110,410,603 represented by private institutions could not be confirmed even through other audit procedures	Not commented.	Actions should be taken to call confirmation from debtors.

1.6 Payable and Receivable Accounts

1.6.1 Accounts Receivable

Audit Observation	Management Comment	Recommendation
(a) The balance of client debtors as at 31 December of the year under review was Rs. 377,267,803 and out of that the balance of which 4 years had been exceeded was Rs. 115,553,535. However legal actions had been taken only for Rs. 38,958,322. Out of the total balance of debtors, a sum of Rs. 152,166,097 had been consisted with 15 debtors including 08 government institutions with the value of more than Rs. 5 million each. Recovery of a sum of Rs. 10 million included in it which should be received from the National Savings Bank was uncertain due to unavailability of a proper agreement entered into with the bank even though legal actions had been taken to recover.	Instructions were received from the Department of Attorney General to take solutions after having discussions with the institutions through the Secretary of the Ministry to recover debts which should be received from the government institutions without taking legal actions. Accordingly, actions were taken to refer the matter to the Ministry of Mass Media for further actions regarding the recovery of Rs. 10 million from the National Savings Bank. A meeting chaired by the Secretary to the Ministry of Mass Media was held on 09.09.2019 in connection with receivable government debts and in the said meeting a higher ranked officer of the National savings Bank had said that this job has done without having a written approval of the bank and therefore the payments could not be made by the bank.	Actions should be taken to recover the debtor balances without delay.
(b) Lawsuits had been filed against 16 client debtors by the Corporation to recover a sum of Rs. 38,958,322 as at 31 December 2021 and a sum of Rs. 1,495,500 had been paid as legal charges. According to the Limitation Act, even though legal actions should	Not commented	Actions should be taken to recover the debtor balances without delay.

be taken before exceeding 6 years out of the debtor balance of Rs. 100,130,139 of which 05 years had been exceeded, legal actions had been taken to recover only a sum of Rs. 12,075,596.

1.6.2 Advances

----- Audit observation -----	----- Management comment -----	----- Recommendation -----
(a) According to the Financial Regulation 371(2) (b) amended by the Public Finance Circular No.03/2015 dated 14 July 2015, the maximum limit of the ad hoc imprest which can be obtained at one instance should be Rs.100,000 a sum of Rs. 6,944,462 had been issued as ad hoc imprests in 12 instances for activities such as programs, accommodation, supplies and purchasing.	Approval was granted to pay advances exceeding the limits of ad hoc imprests for programme producers by the Board decision No.806.07.02 dated 15/12/2015 because a huge amount of money has to be spent in the process of producing of programmes. A letter was referred to the Secretary to the General Treasury on 10.02.2016 requesting approval for releasing limits of advances mentioned above. Further a letter was sent to the Department of Public Enterprises on 23.12.2016 as a reminder in this regard. However replies were not received yet for those.	It should be complied with the Circular instructions.
(b) According to the Financial Regulations 371(2) (b) and 371 (5) amended by the Public Finance Circular No. 03/2015 dated 14 July 2015 ad hoc impressed obtained should be settled within 10 days after finishing the intended purpose. However the balance of advances exceeding one year as at the end of the year under review was Rs. 16,117,304.	An additional period of time is given to the cases of which advances could not be settled on time practically due to the nature of the production process of programme of the Corporation on the approval of the top management. Disciplinary actions such as suspension of salaries at instances of advances not being settle and recovering	Actions should be taken as per the Financial Regulations

penalties at instances of advances not being settle on time are taken.

1.7 Non - compliance with Laws,Rules,Regulations and Management Decisions etc.

Reference to the laws, Rules and Management decisions	Non – compliance	Management comment	Recommendation
(a) Public Enterprises circular Paragraph 3.1 of the circular No. PED 1/2015 dated 25 May 2015	A sum of Rs. 7,008,171 had been paid during the year under review as transport and fuel allowances for 90 officers recruited for the posts in the category of middle management, Junior management, management assistant and contract basis of which transport allowances and fuel allowances had not been entitled to.	Payments had been made continuously because it was a privilegewhich was given since the beginning of the corporation. And actions were taken to pay the said allowance after receiving the approval of the Board of Directors according to the powers delegated under the section 12.1 of the Sri Lanka Rupavahini Act No. 06 of 1982.	Circular instructions should be followed.
(b) Paragraph 6.5.1 of the Circular No. PED/12 dated 02 June 2003.	The draft annual report which should be presented with the financial statements had not been submitted to	The Chairman of the Corporation who chaired early in the	Circular instructions should be followed.

audit even up to 20 July 2022. year 2022 has resigned and as a result, there was a delay of obtaining the message of the Chairman of the Corporation for the draft annual report relating to the year 2021. Hence the draft annual report was delayed. It will be able to submit the draft annual report after submitting the said report for the approval of the Board of Directors at the meeting which is scheduled to be held on 19.08.2022.

1.8 Financial Management

Audit observation

The overdraft relating to a current account as at the end of the year under review was Rs. 237,068,873 and a sum of Rs. 22,480,822 had been paid by the Corporation as interests during the year under review. Further the approved overdraft limit had been exceeded time to time in 07 months of the year under review.

Management comment

The air time income as the main source of income of the Rupavahini Corporation was lower due to the adverse economic situation of the Country and therefore as mentioned here, overdraft facilities had to be obtained to recover recurrent expenses of the Corporation from time to time

Recommendation

Actions should be taken to manage the expenses accurately.

1.9 Non - compliance with Tax Regulations

Audit observation	Management comment	Recommendation
According to the Section 03 (1) of the Economic Service Charges Act No. 13 of 2006, the overpayment of economic service charges can be set off from the income tax paid within 2 following years. However, economic service charges of Rs. 22,225,059 overpaid in the years 2018 and 2019 which had not been set off due to the fact that income tax is not paid, had been shown under the advances and deposits. Further, even though accrued economic service charges can be set off with a pre-paid advance which had been made in the same quarter, economic charges amounting to Rs. 1,194,747 which had been brought forward since before the year under review had not been set off during the year under review.	Actions will be taken to write off the said value from the advance account in the year 2022 and make necessary adjustments. After calculating the actual value in the last month of the quarter estimated, actions will be taken to make necessary rectification.	Actions should be taken to show the financial position accurately.

2. Financial Review

2.1 Financial Results

The operating result of the year under review was a deficit of Rs. 227,342,397 and the corresponding deficit for the preceding year was Rs. 234,300,093. Accordingly, an increase of Rs. 6,957,696 was observed in the financial result. Increase of sales income by Rs. 95,256,030 and decrease of cost of sales, distribution cost, administration expenses and financial expenses by Rs. 30,778,419 Rs. 14,819,787 Rs.19,001,033 and Rs. 15,106,870 respectively had mainly affected to this increase.

2.2 Trend Analysis of Main Income and Expenditure Items

In a ground of incurring long term continuous losses of the Corporation due to improper management and financial difficulties, anniversary expenses, office requirements, stage and designing, hiring of sound systems and accommodation by Rs. 3,007,498 viz. 439 per cent, Rs. 3,114,578 viz. 64 per cent, Rs. 930,224 viz. 237 per cent, Rs.2,123,500 viz. 264 per cent and Rs. 351,500 viz. 220 per cent respectively had been increased compared with the previous year.

2.3 Ratio Analysis

- (a) The gross profit ratio and the net profit ratio for the year under review and the previous year had been minus value and it was observed that the current ratio was in a decreasing trend.
- (b) The interest coverage ratio which was minus 17.38 in the year 2020 had become minus 14.72 in the year under review. In the ground of continuous losses, it was observed that, paying interests and leverage had adversely affected to the going concern of the Corporation.

3. Operating Review

3.1 Management Inefficiencies

Audit observation	Management comment	Recommendation
(a) Allowances had been paid by the sponsor for 4 officers of the Corporation who had been engaged with the media coverage of the Olympic Games 2020 as the official media broadcaster under contra deal agreements. However approval had been granted to recover the said paid incidental allowances of Rs. 714,560. Nevertheless the said amount had not been recovered even up to the end of the year under review. A loss of Rs. 77,946,276 had been incurred by the Corporation from the media coverage of the Olympic Games Festival due to the mismanagement of profitable events of the festival	Approval was granted to recover the incidental allowance of Rs. 714,560 which was issued by the Corporation. Actions were taken in every year as the national channel to give the opportunity to the audience of the country to watch the Olympic festival as an international tournament. However client institutes had not presented to sponsor and as a result losses were occurred from telecasting the tournament.	The Corporation should take actions to manage profitable events properly.
(b) A proper security system and an internal control system had not been established by the Corporation for securing of foreign tele dramas and children cartoons of which higher attraction of audience is owned by and the copyright should belonged to the Corporation and to avoid the use of visual disks which can be obtained only from the visual library of the	As mentioned in this report the original copyright of foreign children dramas and children cartoons is not belonged to the Corporation and the said right is owned by the first company of which said programme was produced. Only the telecasting right for a specific period was obtained from the company of	A proper security system should be established and a strong internal control system should be implemented.

Corporation by external parties without permission. which the programme was produced. Hence there was no right to the Corporation after the end of the period of the agreement to claim the right for relevant programmes.

3.2 Identified losses

Audit observation	Management comment	Recommendation
The number of cassettes which had not been returned to the Corporation by 126 officers as at 31 December 2021 was 1128 and the value of those cassettes was Rs. 25,652, 767.	Some cassettes issued to the officers of the production staff are keeping with them for official purposes and actions were taken by the library to send reminders once in two weeks to return the cassettes obtained. Further actions had been taken to send letters informing that actions will be taken to recover the value of the cassettes which was not returned over a long period of time from the salary.	Immediate actions should be taken to obtain the cassettes which had not been returned.

3.3 Operating inefficiencies

Audit Observation	Management comment	Recommendation
(a) Eight local tele dramas had been purchased by the Corporation during the year under review for Rs. 67,389,000 and a sum of Rs. 53,473,222 had been earned as air time income. However the total cost incurred on telecasting of those dramas was Rs. 73,977,848 and therefore the loss incurred from telecasting the said local tele drama was Rs. 20,504,626.	The income level is lower relating to the tele dramas telecasted in the National Television because these tele dramas are not obtained higher LMRB ratings like the other tele dramas telecasted in private channels.	Actions should be taken to avoid the losses which had been occurred in telecasting tele dramas.
(b) The main task of the Marketing Division of which consisted with 18 officers is sale of air time to clients. However a loss of Rs. 104,180,629	Thirteen officers connect directly to the marketing activities of the Marketing Division. Although tele	Actions should be taken to maintain higher performance in

was incurred from tele dramas and programmes telecasted during the year under review and therefore a minimum performance was observed in the marketing division.

dramas and other programmes telecasted in the television channel are in high quality, the air time market is depend on the audience reactions and the demand. In the competitive market situation, there is a lower demand for tele dramas and programmes telecasted in the national television comparatively. As a result, earning profit through such programmes is a difficult task. However, in a situation of such competition actions are being taken by the Marketing Division to earn income using various marketing strategies.

the Marketing Division.

- (c) According to the paragraph 7 (1) of the Finance Act No. 38 of 1971, the responsibility of the Board of Directors of the Corporation to maintain the activities of the Corporation as to be sufficient to settle the extreme deficit of the income account within a period of 5 years or any period of time decided by the Minister of Finance by the extreme surplus of that account. However the net loss of the nearest five years of the Corporation was Rs. 1,345,535,662 and it was observed that the expected level had not been achieved by the function of the Corporation.

Not commented

Actions should be taken according to the provisions of the Finance Act and to avoid losses.

3.4 Procurement Management

Audit Observation

Management comment

Recommendation

A procurement to the total value of Rs. 91,299,287 had been done by the Corporation to purchase 06 camera chains for the OB bus and 03

The relevant goods of the camera chain for the OB bus were tested by the officers of the Engineering Division and the acceptance

Actions should be taken as per the Procurement Guideline.

pedestals and 01 tripod for studio certificate was issued on No.03.However acceptance 29.04.2021. The date was certificate should be issued after mentioned as 12.11.2020 in the testing the eligibility of relevant (original copy) agreement No. 722 goods it had not been issued for this (M) in this regard. procurement before making payments.

3.5 Human Resources Management

Audit Observation

There were 219 vacancies in the posts of the permanent staff of the Corporation as at the end of the year under review and 19 employees had been recruited for 07 posts which had not been included in the approved cadre on permanent, contract and assignment basis. Further 38 employees had been deployed on permanent, contract and assignment basis exceeding the approved limit of the staff.

Management comment

Twenty eight permanent officers who had been deployed in 16 posts which was approved as personal to holder at the time of the carder was approved are being employed at the moment. Eleven marketing executives recruited on contract basis in the year 2000 on the approval of the Board of Directors at the time of the restructure of the Marketing Division are in the service. Service of two person deployed on assignment basis for security activities of a transition towers was terminated. Twenty employees who were engaged in 06 posts at that time of which the number of employees are less are being in the service. On the requirement of the service, 06 employees on contract basis and 12 employees on assignment basis have been deployed for certain posts of the permanent cadre.

Recommendation

Actions should be taken to fill the vacancies of the approved cadre.

4. Accountability and Good governess

4.1 Corporate Plan

Audit Observation

According to the progress report of the action plan for the year under review, although 10 activities had been planned to implement in order to improve the audience

Management comment

The income level of the Corporation decreased rapidly due to the COVID pandemic and economic crisis prevailed in the

Recommendation

Actions should be taken according to the action plan.

of which an objective of the corporate plan for the period from the year 2020 to the year 2022. A progress had been observed in only one activity and it was failed to achieve any progress in other activities.

country during the years 2021 and 2022.

As a result, there were much less production and purchasing of new programmes of the Corporation and old programmes and tele dramas were repeated to fill the gap of air time. Activities planned to increase the number of audience which was planned according to the action plan was not implemented accordingly.

4.2 Budgetary Control

 Audit Observation

 Management comment

 Recommendation

The minus balance of the Accumulated fund as at 01 January 2021 was Rs. 347,178,946 and it had been increased up to a minus balance of Rs. 571,576,904 as at the end of the year under review. When compared with the minus balance of budgetary fund of Rs. 260,316,000 as at 31 December 2021 the difference in between the said balances had increased by Rs. 311,260,904 viz. minus 120 per cent.

Not commented

Actions should be taken to avoid the losses.