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வெகுசன ஊடக அமைச்சு  
MINISTRY OF MASS MEDIA



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வருடாந்த அறிக்கை  
ANNUAL REPORT  
2017

**සැලසිනෙ  
செலசீனா  
SELACINE  
SELACINE TELEVISION INSTITUTE**



Hon. Minister of Mass Media  
Ministry of Mass Media  
Colombo 5.

Hon. Minister,

Annual Report – 2017

According to the Section 14(1) in Finance Act No 38 of 1971, I am forwarding herewith the Annual Report of Salacine Rupavahini Institute for the year ending 31<sup>st</sup> December 2017.  
Thank you.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Prabath C. Perera', with a date stamp '2017/05/22' written below it.

Prabath C. Perera  
Chairman  
Salacine Television Institute  
Colombo 7.



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## Vision

communication of progress in all business fields, developments and operations of the state mechanism.

## Mission

Using talented creative and dedicated personal help and resourcefully using latest technology creatively to provide state and private institutions communication and other creative advertising services of the highest standards and thereby actively contributing to the economic, social and political development of Sri Lanka.

## Objectives

Increasing financial status

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Increasing market Share

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Using strategy to increase customer satisfaction

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Developing employees and leaders of the organization





## Chairman's Review

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I am pleased to contribute this message to the 2017 Annual Report of Selacine Television Institute after assuming duties as its Chairman.

Selacine, with a proud history of 35 years, has accomplished significant improvements in the Administration, Finance and Marketing Divisions which are reflective in the sales for the year 2017.

An annual sales income of LKR 637.3 million was attained in 2017. This is an increase of LKR 239.7 million compared to 2016, which shows that Selacine has surpassed its revenue targets for 2017. To further increase our sales targets, we will provide necessary guidance and motivation to the marketing team.

Steps will be taken to improve the efficiency and productivity of employees. The Human Resource Division is constantly at work for the development of our most valued assets, our employees. By arranging training programmes for employees, providing the necessary institutional support to overcome their difficulties, introducing a medical scheme and providing for team building activities such as sports competitions as well as welfare activities, the Human Resource Division has prepared the background for the continuous development of Human Resource at Selacine.

The Production Division has come out with many creative productions ranging from documentaries to commercials with a plethora of clients.

Necessary steps have also been taken to develop the Internal Audit division to ensure transparency and accountability.

The Creative division is the epic center of any advertising agency and as such, more emphasis was directed to ensure that the Creative Division was equipped to suit stringent client requirements. In the coming year, initiatives will be launched to further improve this key division. The successful launch of the V2025 event was a prime example of the creative aptitude of this institution.

The Event Management Division has successfully conducted many high-profile events such as the United Nations Vesak Day, Presidential Films Awards and the Right to Information Act.

Our strong relationship with the Ceylon Electricity Board and Lake House has further strengthened during the year evident by these institutions providing the highest number of advertisements. This was due to designing of suitable advertisements by the Graphic Division and the competency showed by the Media Division in scheduling them.

Widening of our responsibilities as the only State institution for advertising to suit total economic pattern, cannot be avoided. Therefore, Selacine will be transformed in the coming years to be the one-stop agency for all advertising requirements of the Government. By communicating to public the Government's development activities, including the promotion of State mechanisms, Selacine hopes to actively contribute to the development of the economic, social and political environment in Sri Lanka whilst empowering its citizens.



Prabath C. Perera  
Chairman  
Selacine Television Institute



## Name

Selacine Television Institute

## Legal form and nature of past activities

- ❖ On 1<sup>st</sup> February 1982, started under the authority of the Ministry of Plan Implementation.
- ❖ From 1982 to 1989, carrying out the job of making the general public aware of the Accelerated Mahaveli Project through the Human and Financial Resources Department of the Timber Corporation which was then under the purview of the Mahaweli Development Ministry.
- ❖ Carrying out the propaganda work for "Janasaviya" programme in 1989.
- ❖ By the Gazette Notice Extraordinaire of No. 832/15 of 19.08.1989, Salacine Institute was brought under the purview of the Ministry of Youth Affaires, Sports and Rural Development. (This is the first time transfer of this institute was done through a gazette notice.)
- ❖ By the Gazette Notice Extraordinaire of No. 979/2 of 09.06.1997, Salacine Institute was brought under the purview of the Ministry of Posts, Telecommunication and Mass Media.
- ❖ By the Gazette Notice Extraordinaire of No. 1215/14 of 20.12.2001, Salacine Institute was brought under the purview of the Ministry of Mass Media.
- ❖ By the Gazette Notice Extraordinaire of No. 1338/9 of 28.04.2004, Salacine Institute was named as an institute belonging to the Ministry of Information and Mass Media.
- ❖ By the Gazette Notice Extraordinaire of No. 1422/22 of 08.12.2005, Selacine Television Institute was established under the Ministry of Information and Mass Media.
- ❖ On 26.03.2008 memorandum was forwarded to the Cabinet of Ministers to convert Salacine as a government-owned Public Company according to the rules and regulation under Companies Act No. 07 of 2007.

## Establishment role

- ❖ To become operative as the state media advertising and production institute.
- ❖ Through the gazette notification extraordinaire of 16.05.2005, the following were brought under the scope of Salacine.
  - i. Production of print / electronic media advertisements
  - ii. Propaganda work to make the general public aware of the development activities of the government
  - iii. Production of government advertising programmes
- ❖ After the observation regarding the message of the Hon. Minister for Mass Media and Information dated 02.12.2008, by the Cabinet Paper No. 08/2253/338/043 dated 24.12.2008, approval was granted to make it mandatory for all commercial advertisements and advertising programmes of all ministries and institutions under them to be done through Salacine Rupavahini Institute.
- ❖ Production of audio visual creations such as rupavahini documentaries, radio programmes as well as rupavahini and radio advertisements
- ❖ Creation of various newspaper notices and scheduling them on print and electronic media.
- ❖ Event management and printing work.

# Administration Structure - 2017

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## Senior Management

Thusitha Jayawardhane	- Chairman (01.01.2017 - 20.06.2017)
J.M.N.S.B. Jayawardhana	- Chairman (21.06.2017 - 31.12.2017)
Manjula Herath	- General Manager

## Management

J.W.C. Senevirathne	- Manager (Human Resources and Administration) (01.01.2017 - 31.10.2017)
E.M.A.R. Ekanayaka	- Manager (Human Resources and Administration) (01.11.2017 - 31.12.2017)
Sunanda Weerasinghe	- Manager (Production)
Agbo Amarasekera	- Director Cosumer Services
Nalin Alahakone	- Manager (Media)
Shantha Lokukatagoda	- Manager (Finance)
Sujith Pushpakumara	- Manager (Graphics)

## Auditors

Government Audit

## Bankers

Bank of Ceylon

Peoples Bank

## Contact Details

<b>Address</b>	- No.224, Buddhaloka Mawatha, Colombo7.
<b>Telephone</b>	- 011 4320777, 011 4061586
<b>Fax</b>	- 011-2058229
<b>Email</b>	- selacine@gmail.com
<b>Web site</b>	- www.selacine.lk





GRAPHIC  
DESIGN

## Graphics and Creations Division

The Design & Graphic Division of Selacine could be cited as another creative & active division of the institution. The experienced and professional graphic designers in this division are often ready for any kind of creative work. They are not limited to the time frame of 8 hours but fulfill the tasks assigned them with due responsibility, often updating their knowledge with latest technology.

This division is the primary center to create newspaper advertisements, 3D, 3D live and creating publications such as posters and banners etc... Our commitment is without considering the time. Creativity and, the cozy public relationship maintained with our clients and long term service provided to the customers are the reasons received commendations.

elacine is the foremost institution to provide the highest number of advertisements to Lake House. The responsibility of creating those advertisements is assigned to the Design & Graphic Division. The qualitative and accurate advertisements created using high technology upkeeps our institution's goodwill and reputation.

This process is being continued by the Design & Graphic Division since a number of years and, keeps steps ahead increasing its quality & efficiency, day by day.



## Media Division

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The foremost task of the Media Division is scheduling the advertisements in electronic & printed media and, audible & visual creations. It earns the highest income in every year through the scheduling aforesaid. Accordingly, this task was done more efficiently in 2017. Here, the overall investment was Rs. 405 million.

Also the highest number of advertisements in 2017 was provided by Selacine.

The investment made for advertisements in 2017 by Ceylon Electricity Board who is one of our foremost clients was Rs. 154 million. Therefore, we could easily and precisely achieve our expected targets through such scheduling.

Accordingly, this corroborates that Selacine is a foremost advertising agency in the Island and claims a higher level capability in its role including creative activities.







## Sales and Consumer Services Division

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Comparing with previous year, the Marketing Division could achieve a considerable record of sales growth progress within 2017 which is a significant achievement. The primary sales revenue in this year was Rs. 638,957,078.23 out of the income received by producing newspaper and television advertisements were noticeable.

We thankfully remind the significant contribution of Sales Executives in our division and, the support of other divisions extended to earn this targeted income.



## Human Resource and Administration Division

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Our uppermost asset is the human resource in our institution. In the path of our institution to achieve the targets with the objective to obtain the optimum contribution through the human resource, the services rendered by our division in 2017 are as follows.

- Our institution claims a history of 33 years and, the key task conducted in this year was compiling the necessary things to legalize it. In concurrence to that, preparing duly the institutional structure and the recruitment procedure are significant.
- The employees were directed for seminars in 2017 through various institutions to which granted the financial sponsorship with the objective of staff training and development like previous year. Also, the institution has granted financial sponsorship for education courses with the objective of developing the vocational education of the staff.
- The employees were encouraged for their contribution rendered to the institution through providing medical insurance scheme, staff loans, festival advances, bonus etc... consist with high benefits, in respect of the employees' welfare.
- A friendly get together was held for the staff and their family members with the objective of developing the friendship among them.
- Office equipment were provided quickly to the staff upon their request, targeting to obtain an efficient service from them.





## Production Division

The Production Division of Selacine has produced a number of meaningful and poetic creations with creative features in 2017 too. These creations further improved due to the skills, commitment, co-operation and brotherhood of our producers.

The television advertisements (4 Nos.) and short dramas (4 Nos.) produced for Dengue Prevention Unit, the few television advertisements produced for Police Drugs Alleviation Bureau, the television advertisement produced under the theme of "Four Faults in Hand" (wf;a jerË y;rhs) produced for Central Environment Authority to minimized the polythene usage, the documentary programme produced for the Department of Community Based Corrections are the fruitful productions of Selacine in 2017.

There are many creations to appease our friends' mind continuum casted by the picture box (television) keeping long steps year by year in its journey of creativity. Therefore, Selacine is often ready to engage in a fruitful, productive media mission through a range of such qualitative and poetic creations.





## Finance Division

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Necessary steps were taken to function the accounts in Selacine institution more efficiently as well as to computerize the liabilities required for all payments, without delay. Accordingly, the accounts were prepared quickly after identifying the liabilities.

Accounts were prepared quickly. The Auditor General has expressed again his opinion that the financial performance and the cash flow statement prepared as at 31.12.017 shows a correct and fair status in compliance to the Government Accounting Policies like in 2011, 2012, 2015 and 2016 which is a considerable achievement.

All officers in the Finance Division are committed to work with the objective of taking the Auditor General's opinion up to a higher level than above.





## Event Management Division

The Event Management Division established as a new division in 2015 has become presently as a division extends very fast contribution towards earning income. This division extends a direct contribution to the income earning system using different methodologies contesting close-turn with competitive institutions in a modern visage.

This division has earned an event income of 48 & 150 Million Rupees respectively in 2016 & 2017 which presently demonstrates a rapid growth. The following foremost event management contributions have been extended in respect of above.

- The Presidential Cine Award Ceremony conducted by the Ministry of Finance and Mass Media.
- National Sports Ceremony conducted by the Ministry of Sports
- United Nations' Vesak Commemoration (Ministry of Buddhism)
- "Listen the Song" programme organized by the Ministry of Finance and Mass Media (with regard to the reconciliation).
- "77's Revolt" organized by the Ministry of Finance and Mass Media.
- Acquisition of the Nevil Fernando Hospital, organized by the Ministry of Health.

The event management affairs in respect of above programmes were conducted by the Event Management Division of our institution and, those events were concluded by our institution very sophisticatedly and successfully. This division's objective is further develop of income in 2018, analyzing these experiences and incomes.

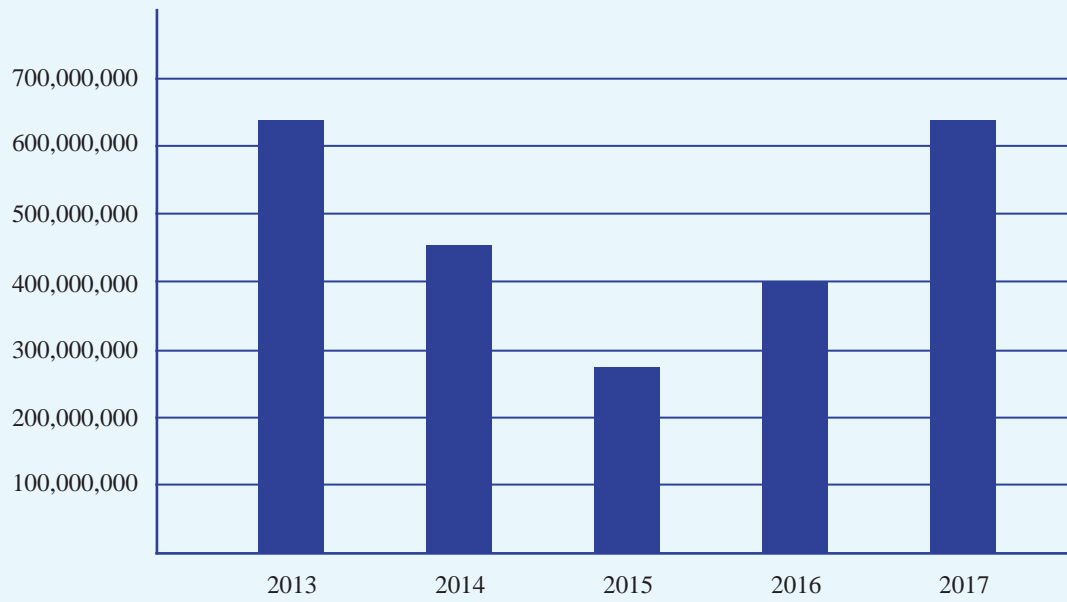




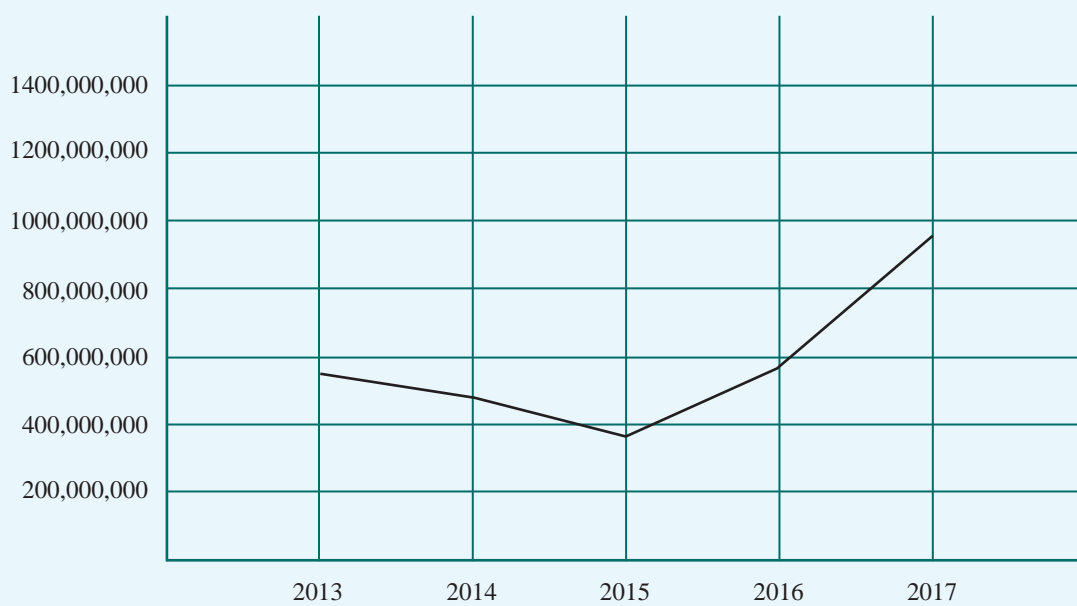
# FINANCIAL REPORT 2017



### Revenue Growth

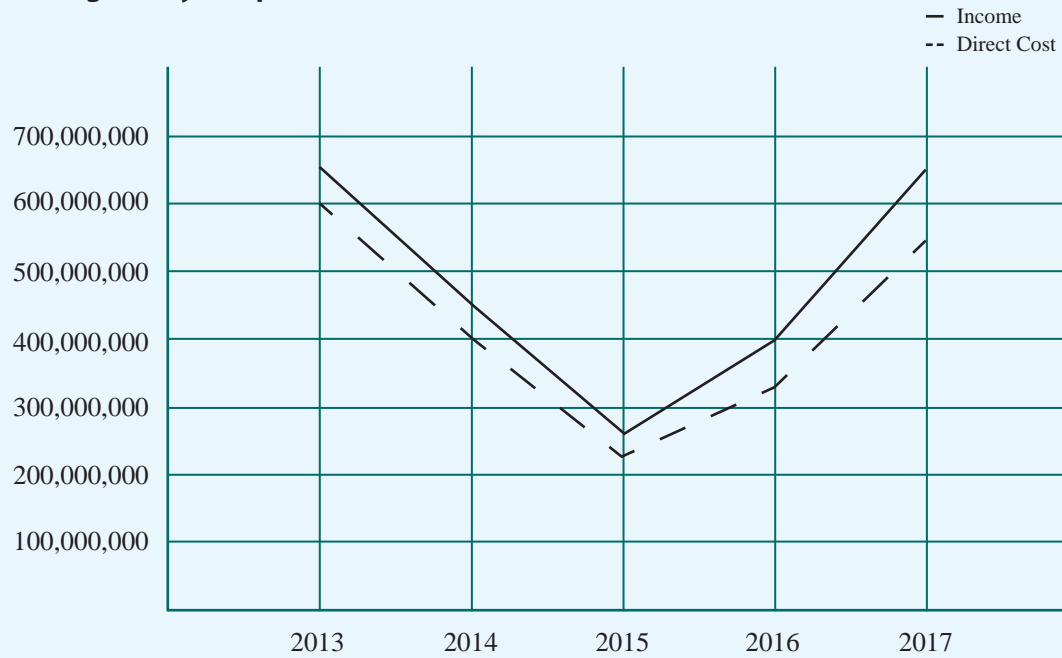


### Income and expenditure for last five years



## Trend of institutes profit between 2013 and 2017

During the 5 years period Trend of Revenue & Direct cost





# Notes for Financial Report

## For the year ended 31<sup>st</sup> of DECEMBER 2017 Accounting Policies

### 1. CORPORATE INFORMATION

#### 1.1 General

Selacine Television Institute (hereinafter referred as Selacine) has been integrated To the Ministry of Finance and Mass Media by the Special Gazette Notification No.2022/34 of 09.06.2017.

#### 1.2 Principle Activities and Nature of Operations

The principle activities of the Selacine Consists of advertising activities, production of television and radio programmers and event management.

#### 1.3 Number of Employees

There were 69, Permanent and Contract employees as at 31.12.2017

### 2. SUMMERY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 General Policies

The Financial Statements are prepared in accordance with the Sri Lanka Public Sector Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka.

The Financial Statements, which are presented in Sri Lankan Rupee, are presented on going concern basis.

#### 2.2 Consistency and comparability

The accounting policies, adapted in the current year, are consistent with those used in previous years.

#### 2.3 Borrowing Cost

Borrowing Costs are recognized as an expense in the accounting period in which they are incurred without any amount being capitalized.

### 3. VALUATION OF ASSETS AND THEIR MEASUREMNET BASES

#### 3.1 Property plant & Equipment

Property plant & equipment are stated at cost or revalued amount.

#### 3.2 Trade and Other Receivables

Trade and other receivables are stated at the amounts they are estimated to realize.

#### 3.3 Cash and Cash Equivalentents

Cash and cash equivalentents are defined as cash in hand, demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

#### 3.4 Depreciation

Depreciation is recognized in the Income Statement on a straight-line basis over the estimated useful life of each asset. Assets held under finance leases are depreciated over the shorter of the lease term and the useful lives of the equivalent owned assets.

Depreciation percentage are amended are for fixed assets. The estimated useful lives for the current and comparative periods are as follows:

• Furniture are fittings	2-10 Years
• Computer Equipment	3-5 Years
• Office Equipment	10 Years
• Motor Vehicles	5 Years
• Cameras & Filming Equipment	10 Years
• Computer Software	10 Years

#### 4. LIABILITIES AND PROVISIONS

- 4.1 Liabilities classified as current liabilities in the Balance Sheet are those obligations payable on demand or within one year from the Balance Sheet date. Items classified as non-current liabilities are those obligations, which expire beyond a period of one year from Balance sheet date.
- 4.2 Retirement Benefit Costs  
Provision has been made for retirement benefits from the first year of services for all employees in conformity with SLAS 16 (Revised 2006) – Employee Benefit. However, under Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 05 years of continued service.
- 4.3 Defined Contribution Plans-EPF & ETF  
Employees are eligible for Employees’ Provident Funds contributions and Employees’ Trust Funds contributions in line with respective statutes and regulations. The company contributes 15% and 3% of gross emoluments of Employees to the Employees’ Provident Fund and to the Employees’ Trust Fund respectively.

#### 5. INCOME STATEMENT

- 5.1 Turnover  
The turnover of Selacine is from art works, scheduling, production of television and radio programmers, event management and Social Media.
- 5.2 Revenue Recognition  
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured.
- 5.3 Expenditure Recognition  
Expenses are recognized in the income statement on the basis of direct association between the cost incurred and the earnings of specific items of income.

#### 6. RELATED PARTY TRANSACTIONS

There had been no related party transaction during the period the financial statement refers to.

#### 7. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There had been no material events occurring after the Balance Sheet date that require adjustment or disclosure in the financial Statements.

#### 8. The Rs. 300,000 deposited in Pramuka Bank was transferred to Sri Lanka Saving Bank due to the Instruction of the Central Bank.

#### 09. Bad & Doubtful debtors have been provided as 2.5% for debtors & fully provided for Un-Identified Debtors Year 2006.

#### 10. 10.1 Two Employees were taken legal action.

10.2 As per Audit Query institution unable to re-value the depreciated item which currently using. Year 2018 will be assessed and ported to the final accounts.



# Income Statement

For the year ending 31<sup>st</sup> of DECEMBER 2017 (in Sri Lankan Rupees)

	Notes	2017 Rs.	2016 Rs.	2015 Rs.
Revenue	11	637,351,163.32	397,692,282.97	267,617,260.35
Direct Expenses	12	541,297,909.69	342,085,817.84	229,795,974.66
<b>Gross Profit/(Loss)</b>		<b>96,053,253.63</b>	<b>55,606,465.13</b>	<b>37,821,285.69</b>
Other Income	13	4,379,747.31	4,783,264.44	4,076,455.43
		<b>100,433,000.94</b>	<b>60,389,729.57</b>	<b>41,897,741.12</b>
Administration & Establishment Expenses	14	(71,096,270.58)	(62,608,575.31)	(52,893,943.60)
Selling & Distribution Expenses	15	(26,231,866.42)	(17,086,815.43)	(16,402,573.28)
<b>Profit from Operation</b>		<b>3,104,863.94</b>	<b>(19,305,661.17)</b>	<b>(27,398,775.76)</b>
Financial & Other Expenses	16	(124,084.60)	(180,985.45)	(152,403.98)
Other Expenses	17	(1,770,342.59)	(6,142,345.59)	(986,284.07)
<b>Net Profit/(Loss) before Taxation</b>		<b>1,210,436.75</b>	<b>(25,628,992.21)</b>	<b>(28,537,463.81)</b>
<b>Net Profit/(Loss) after Taxation</b>		<b>1,210,436.75</b>	<b>(25,628,992.21)</b>	<b>(28,537,463.81)</b>
Other Comprehensive Income for the Year				
<b>Total Comprehensive Income for the Year</b>		<b>1,210,436.75</b>	<b>(25,628,992.21)</b>	<b>(28,537,463.81)</b>

# Balance Sheet

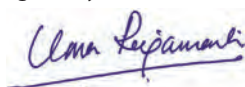
as at 31<sup>st</sup> of DECEMBER 2017 (in Sri Lankan Rupees)

	Notes	2017 Rs.	2016 Rs.	2015 Rs.
<b>ASSETS</b>				
<b>Non Current</b>				
Property, Plant & Equipment	18	11,170,153.95	12,608,937.31	18,479,716.12
Intangible Assets	18-A	3,460,377.76	3,999,830.83	-
Building Expenses		3,684,124.10	5,526,186.14	7,368,248.18
<b>Total Non Current Assets</b>		<b>18,314,655.81</b>	<b>22,134,954.28</b>	<b>25,847,964.30</b>
<b>Current</b>				
Investments	19	898,200.00	898,200.00	898,200.00
Trade Receivables	20	390,651,319.86	214,490,075.74	238,609,747.46
Other Receivables	21	1,662,656.66	1,944,593.80	752,235.75
Cash in Hand & at Bank	22	31,416,455.80	8,559,416.92	8,685,944.63
<b>Total Current Assets</b>		<b>424,628,632.32</b>	<b>225,892,286.46</b>	<b>248,946,127.84</b>
<b>Total Assets</b>		<b>442,943,288.13</b>	<b>248,027,240.74</b>	<b>274,794,092.14</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Retained Earnings		70,209,475.81	57,883,448.68	98,854,157.55
<b>Total Equity</b>		<b>70,209,475.81</b>	<b>57,883,448.68</b>	<b>98,854,157.55</b>
<b>Liabilities</b>				
<b>Non Current</b>				
Gratuity Payable	23	9,692,481.86	8,639,956.56	6,930,220.29
Interest Bearing Loans and Borrowings	24	-	-	-
Treasury Loan		-	465,000.00	1,860,000.00
<b>Total Non Current Liabilities</b>		<b>9,692,481.86</b>	<b>9,104,956.56</b>	<b>8,790,220.29</b>
<b>Current</b>				
Interest Bearing Loans and Borrowings	24	-	-	384,615.48
Trade & Other Payables	25	362,911,778.46	179,049,283.50	164,775,546.82
Treasury Loan		-	1,860,000.00	1,860,000.00
Advance Received		129,552.00	129,552.00	129,552.00
<b>Total Current Liabilities</b>		<b>363,041,330.46</b>	<b>181,038,835.50</b>	<b>167,149,714.30</b>
<b>Total Equity and Liabilities</b>		<b>442,943,288.13</b>	<b>248,027,240.74</b>	<b>274,794,092.14</b>

These Financial Statements have been prepared in accordance with the requirement of the Sri Lanka Public Sector Accounting Standards as laid down by the Institute of Chartered Accountants of Sri Lanka and Finance Act No. 38 of 1971.

Certified as true by Directors

Signed by,



Uma Rajamanthri  
Chairperson  
Selacine Television Institute

# Cash Flow Statement

For the year ending 31<sup>st</sup> of DECEMBER 2017 (in Sri Lankan Rupees)

	2017 Rs.	2016 Rs.
<b>Cash Flows from Operating Activities</b>		
Net profit before taxation	1,210,436.75	(25,628,992.21)
<b>Adjustments for;</b>		
Lease Interest	-	24,001.85
Interest income	(99,309.82)	(145,449.20)
Depreciation	4,001,678.11	4,353,470.40
Provision for Gratuity	1,052,525.30	2,534,524.27
Profit / (Loss) on Disposal of Property	61,369.34	-
Prior Years Adjustments	11,115,590.38	(15,341,716.66)
<b>Operating Profit before Working Capital Changes</b>	<b>17,342,290.06</b>	<b>(34,204,161.55)</b>
(Increase)/Decrease in Trade & Other Receivables	(177,126,051.07)	24,312,157.75
(Increase)/Decrease in Deposits & Prepayments	281,937.14	(1,192,358.05)
Increase/(Decrease) in Trade Creditors & Other Payable	183,862,494.96	14,273,736.68
Increase/(Decrease) in Advance received	-	-
(Increase)/Decrease in Provision for building expenses	-	-
<b>Cash Generated from / (Used in) Operation</b>	<b>24,360,671.09</b>	<b>3,189,374.83</b>
Gratuity paid	-	824,788.00
<b>Net Cash from / (Used in) Operating Activities</b>	<b>24,360,671.09</b>	<b>4,014,162.83</b>
<b>Cash flows from Investing Activities</b>		
Purchase of Property, Plant & Equipment	(1,602,942.02)	(2,482,522.42)
Interest Income	99,309.82	145,449.20
Fixed Deposits	-	-
<b>Net Cash from / (Used in) investing Activities</b>	<b>(1,503,632.20)</b>	<b>(2,337,073.22)</b>
<b>Cash flows from Financing Activities</b>		
Treasury Loan Received / Repayments	-	(1,395,000.00)
Repayment of Loans	-	(408,617.33)
Error Correction of Lease	-	-
<b>Net Cash from / (Used in) Financing Activities</b>	<b>-</b>	<b>(1,803,617.33)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>22,857,038.89</b>	<b>(126,527.72)</b>
Cash and Cash Equivalent Beginning of the Year (Note A)	8,559,416.91	8,685,944.63
<b>Cash and Cash Equivalent End of the Year (Note A)</b>	<b>31,416,455.80</b>	<b>8,559,416.91</b>

## Cash Flow Statement

For the year ending 31<sup>st</sup> of DECEMBER 2017 (in Sri Lankan Rupees)

	2017 Rs.	2016 Rs.
<b>NOTE A</b>		
<b>Cash &amp; Cash Equivalents</b>		
BOC - A/C No. 2323299	29,724,501.94	3,251,155.41
BOC Savings A/C No. 2329765	291,145.04	1,662,698.51
Peoples Bank 200100130005980	791,574.32	-
Production Advance	424,234.50	2,090,853.00
Other Advance	185,000.00	1,554,710.00
	<b>31,416,455.80</b>	<b>8,559,416.92</b>

## Statement of Changes In Equity

For the year ending 31<sup>st</sup> of DECEMBER 2017 (in Sri Lankan Rupees)

	2017 Rs.
	<b>Retained Earnings</b>
Balance as at 01 January 2017	57,883,448.68
Prior Years Adjustments - Note 28	11,115,590.38
Net Profit/Loss For the year	1,210,436.75
<b>Balance as at 31<sup>st</sup> December 2017</b>	<b>70,209,475.81</b>



# Notes for Financial Statement

For the year ending 31<sup>st</sup> of DECEMBER 2017 (in Sri Lankan Rupees)

	2017 Rs.	2016 Rs.	2015 Rs.
<b>NOTE - 11 - REVENUE</b>			
Production	32,661,878.25	19,865,749.83	15,921,580.75
Graphics	48,299,073.00	13,492,843.62	21,276,109.47
Scheduling	405,675,446.93	314,834,334.00	193,993,826.89
Event Management	150,487,265.14	48,150,355.52	36,425,743.24
Miscellaneous	82,500.00	84,000.00	-
Web Income	145,000.00	1,265,000.00	-
	<b>637,351,163.32</b>	<b>397,692,282.97</b>	<b>267,617,260.35</b>
<b>NOTE - 12 - DIRECT COST</b>			
Production Expenses	28,656,917.64	17,141,833.00	12,756,525.65
Graphic Expenses	33,511,635.16	13,965,362.04	19,381,442.68
Scheduling Expenses	347,405,543.49	272,997,261.84	156,980,159.97
Event Management Expenses	131,586,313.40	36,804,690.96	40,677,846.36
Web Expenses	137,500.00	1,176,670.00	-
Miscellaneous	-	-	-
	<b>541,297,909.69</b>	<b>342,085,817.84</b>	<b>229,795,974.66</b>
<b>NOTE - 13 - OTHER INCOME</b>			
Staff Loan interest	116,790.59	107,321.49	76,971.89
Bank Interest	99,309.82	145,449.20	3,340,568.09
Other Income	3,531,849.90	4,425,393.75	281,000.00
Registration of Supply	312,000.00	9,500.00	111,500.00
Translation Charges	-	80,000.00	-
Artwork Charges	281,000.00	-	126,000.00
Transport Charges	38,797.00	15,600.00	140,415.45
	<b>4,379,747.31</b>	<b>4,783,264.44</b>	<b>4,076,455.43</b>

## Notes for Financial Statement

For the year ending 31<sup>st</sup> of DECEMBER 2017 (in Sri Lankan Rupees)

	2017 Rs.	2016 Rs.	2015 Rs.
<b>NOTE - 14 - ADMINISTRATION &amp; ESTABLISHMENT EXPENSES</b>			
Allowance - Chairman	1,547,928.00	1,500,000.00	-
Allowance - Contract Services	945,924.66	712,150.00	500,000.00
Allowance - Trainees	176,250.00	652,133.36	329,989.25
Allowance - Transport	900,000.00	560,000.00	-
Allowances - Fuel	290,065.26	448,100.32	457,264.84
Allowances - Mobile	156,000.00	156,000.00	119,964.29
Audit Fee	120,000.00	110,000.00	192,120.00
Board Meeting Fee	45,000.00	-	-
Bonus	662,125.00	680,500.00	720,000.00
Building Expenses	1,842,062.04	1,842,062.04	1,842,062.04
Building Rent Expenses - Film Corporation	3,780,000.00	3,780,000.00	3,780,000.00
Building Rent Expenses - Rajagiriya Office	733,335.84	565,390.32	-
Cleaning And Sanitary Item Expenses	80,186.00	119,658.00	28,981.26
Computer Repair Expenses	26,480.00	118,041.11	37,178.89
Consultancy Fee	50,000.00	-	15,000.00
Depreciation	2,641,533.37	2,230,019.53	2,092,213.70
Director's Emoluments	505,500.00	647,483.33	1,187,364.28
Donation	553,400.00	453,199.56	68,000.00
Electricity	790,952.95	462,481.24	297,898.14
EPF	2,541,168.90	2,436,156.27	2,072,097.63
ETF	507,727.05	429,730.96	414,419.84
Foreign Travel	-	298,759.80	-
Gift Voucher Expenses	646,847.50	288,000.00	532,000.00
Gratuity	1,184,500.55	2,534,524.27	1,566,953.64
Internet Charges	447,271.63	203,030.66	253,449.27
Labour Expenses	39,895.00	-	-
Miscellaneous Expenses	11,000.00	-	4,985.00
Newspapers	118,145.00	60,492.00	64,975.00
Office Equipment Maintenance	79,135.00	81,088.00	350,300.00
Office Maintenance Expenses	672,398.47	96,466.00	217,653.39
Penalty & Surcharge	102,564.57	6,510.20	-
Postage	28,970.00	38,141.00	37,375.48
Printing & Stationary	1,475,598.52	1,534,437.69	802,975.27
Renewal Fee - Agreement	12,000.00	27,500.00	-
Registration Fees	90,665.00	119,000.00	74,540.00
Salaries & Wages	37,732,241.83	31,958,987.77	29,069,519.36
Security Services Expenses	1,073,830.00	1,151,172.00	657,600.00
Professional Fee	-	-	140,000.00

# Notes for Financial Statement

For the year ending 31<sup>st</sup> of DECEMBER 2017 (in Sri Lankan Rupees)

	2017 Rs.	2016 Rs.	2015 Rs.
Social Welfare	-	75,500.00	59,897.00
Space Rent (temporary)	3,000.00	-	-
Staff Insurance	2,545,397.07	1,451,568.31	1,282,879.58
Staff Over Time & Bata	2,231,596.43	1,775,515.02	1,277,369.38
Staff Welfare	868,703.05	793,292.59	506,004.59
Telephone Charges	577,366.85	515,270.46	382,777.86
Tender Fee	24,500.00	32,000.00	29,000.00
Training Programs Charges	118,250.00	447,865.60	50,000.00
Translation Fee	209,800.00	261,500.00	137,350.00
Vehicle Rent	1,605,000.00	780,000.00	1,140,000.00
Water	284,155.04	156,927.90	76,334.02
Web Site Expenses	17,800.00	17,920.00	25,450.00
	<b>71,096,270.58</b>	<b>62,608,575.31</b>	<b>52,893,943.00</b>

## NOTE - 15 - SELLING & DISTRIBUTION EXPENSES

Artwork Expenses	2,001,522.00	95,000.00	-
Bad Debts	2,994,377.69	(601,208.77)	2,398,952.77
Co-ordinating Fee	485,510.00	170,900.00	-
Depreciation - Motor Vehicle	708,191.67	1,567,164.80	1,567,164.80
Fuel	789,748.34	837,935.89	861,068.32
Motor Vehicle Repair & Maintenance	924,967.40	1,111,799.26	495,798.36
Printing Gallery Expense	68,254.00	14,587.00	-
Sales Commission	1,748,539.59	921,832.46	783,132.78
Sales Promotion & Advertising Expenses	526,365.69	85,630.00	31,630.00
Special Discount	15,196,477.91	12,467,591.92	10,111,720.38
Special Event Expenses	444,800.00	-	-
Special Recovery Commission	5,000.00	-	-
Stamp Fee	16,355.40	-	-
Travelling transport & Parking	174,448.82	215,143.96	75,921.74
Vehicle Insurance	147,307.91	200,438.91	77,184.13
	<b>26,231,866.42</b>	<b>17,086,815.43</b>	<b>16,402,573.28</b>

## NOTE - 16 - FINANCIAL EXPENSES

Bank Charges	103,220.70	134,538.70	61,433.53
License & Insurance	20,863.90	15,157.48	18,276.17
Lease Interest	-	24,001.85	72,694.28
WHT	-	7,287.42	-
	<b>124,084.60</b>	<b>180,985.45</b>	<b>152,403.98</b>

## Notes for Financial Statement

For the year ending 31<sup>st</sup> of DECEMBER 2017 (in Sri Lankan Rupees)

	2017 Rs.	2016 Rs.	2015 Rs.
<b>NOTE - 17 - OTHER EXPENSES</b>			
Amortization - Accounting Software	309,998.00	214,331.00	211,804.00
Amortization - Network System	341,955.07	341,955.07	341,955.07
Compensation to the Employees	-	350,000.00	-
Expenses - Rajagiriya Office	187,260.18	33,208.00	-
Gain/Loss on Sale of Asset	61,369.34	-	-
Sundry	55,265.00	322,722.55	-
Legal Fees	797,130.00	730,800.00	351,375.00
Other Expenses	17,365.00	4,149,328.97	81,150.00
	<b>1,770,342.59</b>	<b>6,142,345.59</b>	<b>986,284.07</b>

### NOTE - 18 - PROPERTY, PLANT & EQUIPMENT

	Cost as at 01.01.2017 Rs. Cts.	Additions/ Transfers Rs. Cts.	(Disposals)/ Transfers Rs. Cts.	Cost as at 31.12.2017 Rs. Cts.
<b>18.1 Gross Carrying Amounts</b>				
Furniture & Fittings	3,193,523.29	352,473.19	109,075.00	3,436,921.48
Computer Equipment	6,859,363.00	482,538.00	-	7,341,901.00
Office Equipment	4,303,198.88	564,130.83	-	4,867,329.71
Motor Vehicles	9,080,824.00	-	-	9,080,824.00
Camera & Filming Equipment	14,757,900.00	91,300.00	-	14,849,200.00
	<b>38,194,809.17</b>	<b>1,490,442.02</b>	<b>109,075.00</b>	<b>39,576,176.19</b>

	Balance as at 01.01.2017 Rs. Cts.	Charge for the year/Transfers Transfers Rs. Cts.	(Disposals)/ (Error Correction) Rs. Cts.	Balance as at 31.12.2017 Rs. Cts.
<b>18.2 Depreciation</b>				
Furniture & Fittings	1,446,268.83	248,715.14	18,305.66	1,676,678.31
Computer Equipment	5,121,957.23	968,616.80	-	6,090,574.03
Office Equipment	2,196,257.00	316,154.83	-	2,512,411.83
Motor Vehicles	8,749,422.60	708,191.67	511,269.00	8,946,345.27
Camera & Filming Equipment	8,071,966.20	1,108,046.60	-	9,180,012.80
	<b>25,585,871.86</b>	<b>3,349,725.04</b>	<b>529,574.66</b>	<b>28,406,022.24</b>
	<b>12,608,937.31</b>			<b>11,170,153.95</b>

## Notes for Financial Statement

For the year ending 31<sup>st</sup> of DECEMBER 2017 (in Sri Lankan Rupees)

	Balance as at 01.01.2017		Charge for the year/Transfers Transfers		(Disposals)/ (Error Correction)		Balance as at 31.12.2017	
	Rs.	Cts.	Rs.	Cts.	Rs.	Cts.	Rs.	Cts.
<b>NOTE - 18-A Intangible Assets</b>								
Accounting Software	2,621,500.00		112,500.00		-		2,734,000.00	
Network System	3,419,650.72		-		-		3,419,650.72	
	<b>6,041,150.72</b>		<b>112,500.00</b>		-		<b>6,153,650.72</b>	
<b>Amortization</b>								
Accounting Software	1,102,093.75		309,998.00		-		1,412,091.75	
Network System	939,226.14		341,955.07		-		1,281,181.21	
	<b>2,041,319.89</b>		<b>651,953.07</b>		-		<b>2,693,272.96</b>	
	<b>3,999,830.83</b>						<b>3,460,377.76</b>	

# Notes for Financial Statement

For the year ending 31<sup>st</sup> of DECEMBER 2017 (in Sri Lankan Rupees)

Notes	2017 Rs.	2016 Rs.	2015 Rs.
<b>NOTE - 19 - INVESTMENTS</b>			
Bank of Ceylon - 8162593	500,000.00	500,000.00	500,000.00
Debentures - Sri Lanka Savings Bank	398,200.00	398,200.00	398,200.00
	<b>898,200.00</b>	<b>898,200.00</b>	<b>898,200.00</b>

## NOTE - 20 - TRADE & RECEIVABLES

Trade Debtors	<b>20.1</b>	365,368,348.55	190,632,488.52	211,319,015.75
Festival Advances		40,000.00	271,500.00	203,000.00
Staff Loan		2,995,587.95	2,555,730.00	1,506,668.50
Salary Advances		21,000.00	21,000.00	21,000.00
Insurance Premium Receivable		171,625.16	224,731.81	103,866.72
Staff Receivables-Other		496,388.20	-	-
Bank Guarantee		1,179,738.08	693,237.91	979,868.68
WHT		2,212.74	-	5,917,583.31
ESC		3,599,744.00	3,599,744.00	3,599,744.00
Upali Newspapers		10,695.00	10,695.00	10,695.00
Penalty & Surcharge Receivable		199,067.50	148,333.72	(10,036.10)
Suspense A/C		76.63	-	-
ANCL		2,538,028.86	2,538,028.86	2,538,028.86
Wijeya Newspapers		188,650.74	188,650.74	188,650.74
EAP		3,004.00	3,004.00	3,004.00
Commission Receivable SLBC		63,558.00	63,558.00	63,558.00
Refundable Deposits		1,327,000.00	1,312,000.00	110,000.00
Ceylinco Insurance		41,800.00	41,800.00	41,800.00
Bank Interest Income Receivable		59,730.00	39,819.68	25,300.00
Money Fraud by Employees	<b>20.2</b>	11,988,000.00	11,988,000.00	11,988,000.00
Miscellaneous Receivable		1,647.10	140,251.50	-
E-Mansala Control A/C		355,417.35	17,502.00	-
		<b>390,651,319.86</b>	<b>214,490,075.74</b>	<b>238,609,747.46</b>

### NOTE 20.1 - TRADE DEBTORS

Trade Debtors	377,742,663.24	200,012,425.52	221,300,161.52
Less- Provision for bad debts	12,374,314.69	9,379,937.00	9,981,145.77
	<b>365,368,348.55</b>	<b>190,632,488.52</b>	<b>211,319,015.75</b>

### NOTE 20.2 - MONEY FRAUDS BY EMPLOYEES

This represents the funds taken by some of the employees of the company without any authorisation and Police investigations are carried out by the relevant authorities to recover the above funds.

# Notes for Financial Statement

For the year ending 31<sup>st</sup> of DECEMBER 2017 (in Sri Lankan Rupees)

	2017 Rs.	2016 Rs.	2015 Rs.
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## NOTE - 21 - PRE PAYMENTS & OTHER RECEIVABLES

Vehicle Prepayments	-	-	-
Prepayments	1,662,656.66	1,944,593.80	752,235.75
	<b>1,662,656.66</b>	<b>1,944,593.80</b>	<b>752,235.75</b>

## NOTE - 22 - CASH & CASH EQUIVALENTS

BOC - A/C No. 2323299	29,724,501.94	3,251,155.41	1,063,567.06
BOC Savings A/c No. 2329765	291,145.04	1,662,698.51	5,798,251.57
Peoples Bank 200100130005980	791,574.32	-	-
Production Advance	424,234.50	2,090,853.00	1,595,626.00
Other Advances	185,000.00	1,554,710.00	228,500.00
	<b>31,416,455.80</b>	<b>8,559,416.92</b>	<b>8,685,944.63</b>

## NOTE - 23 - GRATUITY PAYABLE

Balance B/F	8,639,956.56	6,930,220.29	5,490,466.65
Gratuity Expenses for the Year	1,052,525.30	2,534,524.27	1,566,953.64
	9,692,481.86	9,464,744.56	7,057,420.29
Gratuity Payments	-	824,788.00	127,200.00
<b>Gratuity Payable</b>	<b>9,692,481.86</b>	<b>8,639,956.56</b>	<b>6,930,220.29</b>

## Notes for Financial Statement

For the year ending 31<sup>st</sup> of DECEMBER 2017 (in Sri Lankan Rupees)

### NOTE - 24 - INTEREST BEARING LOANS AND BORROWINGS

	2016 Amount Repayable within 1 Year	2016 Amount Repayable after 1 Year	2016 Total
Finance Leases	-	-	-
	-	-	-

### NOTE - 24.1 - FINANCE LEASES

	As at 01.01.2017	New Lease Obtained	Re payments	As at 31.12.2017
BOC				
Mitsubishi Van	-	-	-	-
	-	-	-	-

### NOTE - 24.2 - FINANCE CHARGES ALLOCATED TO FUTURE PERIODS

	As at 01.01.2016	New Lease Obtained	Re payments	As at 31.12.2017
BOC				
Mitsubishi Van	-	-	-	-
	-	-	-	-



# Notes for Financial Statement

For the year ending 31<sup>st</sup> of DECEMBER 2017 (in Sri Lankan Rupees)

	2017 Rs.	2016 Rs.	2015 Rs.
<b>NOTE - 25 - TRADE &amp; OTHER PAYABLE</b>			
Trade Creditors	239,504,342.38	113,449,211.21	108,960,599.32
EPF	-	-	35,151.05
Telephone Charges	47,302.86	47,302.86	83,920.15
ETF	-	-	3,383.33
Sales Commission Payable	716,321.22	110,000.00	-
Over time and Travelling Expenses	-	-	199,204.00
Stamp Duty Payable	1,375.00	-	-
Sanasa	-	-	43,120.00
PAYE Tax Payable	4,830.12	-	-
Water	-	-	11,373.62
VAT	54,853,633.70	19,311,617.86	19,507,924.21
Electricity	-	-	114,371.70
NBT	18,466,322.67	14,703,471.72	13,376,476.63
Building Rent Payable	900,000.00	900,000.00	-
ESC	-	-	-
Other Creditors	1,885,523.10	4,061,815.30	293,212.65
Audit Fees	174,000.00	172,500.00	70,000.00
Fuel	41,651.47	41,651.47	-
Accrued Salary	-	-	143,960.83
Salary Control	11,458.16	-	-
Accrued Expenses	46,305,017.78	26,251,713.08	21,867,195.68
Accrued Leasing Payment	-	-	24,001.73
	<b>362,911,778.46</b>	<b>179,049,283.50</b>	<b>164,775,546.82</b>

## Notes for Financial Statement

For the year ending 31<sup>st</sup> of DECEMBER 2017 (in Sri Lankan Rupees)

### NOTE - 26 - NON RELATED PARTY DISCLOSURES (LKAS 24)

NAME	DESIGNATION	NATURE OF THE RELATED PARTY TRANSACTION	ADDRESS
Uma Rajamanthri	Chairperson	No	No. 22/02, Rosmead Place, Colombo 07.
Manjula Herath	General Manager	No	No.52, Kompaya Hena Road, Homagama.

No Related party transactions have taken place between Selacine Television Institute and each of the above personnel and with any of their family members, for the financial year 2017.

### NOTE - 27 - BUILDING REPAIR EXPENSES

The Company will write off the building repair expenses which is capital in nature during the 5 years period which is the lease term of the company as mentioned in the lease agreement.

### NOTE - 28 - PRIOR YEAR ADJUSTMENTS

Correction of Depreciation	511,269.00
Correction of Debtors' Balance	(185,825.00)
Correction of Accrued Expenses	11,514,413.74
Correction of Ledger A/C	131,811.07
Correction Penalties & Surcharge	(812,458.68)
Correction of Advance	(334,630.00)
Correction of Creditors	291,010.25
	<b>11,115,590.38</b>

# Auditor General's Opinion of Financial Activities of year 2017



## ජාතික විගණන කාර්යාලය தேசிய கணக்காய்வு அலுவலகம் NATIONAL AUDIT OFFICE



මගේ අංකය  
எனது இல.  
My No.

CAS/D/STI/05/17/173

ඔබේ අංකය  
உமது இல.  
Your No.

දිනය  
திகதி  
Date

09 November 2018

The Chairman  
Selacine Television Institute

### Report of the Auditor General on the Financial Statements of the Selacine Television Institute for the year ended 31 December 2017

The audit of financial statements of the Selacine Television Institute for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 and the statement of financial performance, cash flow statement and the statement of changes in equity and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. My comments and observations which I consider should be published with the Annual Report of the Selacine Television Institute appear in this report.

#### 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 the Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

#### 1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000 –







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 Institute'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 Institute's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

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

#### **1.4 Establishment of the Institute**

Even though the Selacine Television Institute was vested in the Ministry of Mass Media from the Mahaweli Authority on 20 December 2001, provision had not been made by way of an Act or any other law to determine its objectives and functions and implement its powers. Even though action was being taken from the year 2009 to register this Institute under the Companies Act as a Public Company under the name "Selacine Limited", such action had not been finalized even by the end of the year under review.

#### **1.5 Basis for Qualified Opinion**

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

## 2. Financial Statements

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### 2.1 Qualified Opinion

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In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Selacine Television Institute as at 31 December 2017 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

## 2.2 Comments on Financial Statements

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### 2.2.1 Sri Lanka Public Sector Accounting Standards

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The following observations are made.

#### (a) Sri Lanka Public Sector Accounting Standard 1

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According to Paragraph 48 of the Standard, assets and liabilities, and revenue and expenses shall not be set off unless required or permitted by a Sri Lanka Public Sector Accounting Standard. Nevertheless, the Institute had set off Value Added Tax and Nation Building Tax payable amounting to Rs. 186,181,686 against the tax receivable totalling Rs. 112,861,729 and only a balance payable amounting to Rs.73,319,957 had been shown in the financial statements.

#### (b) Sri Lanka Public Sector Accounting Standard 7

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Since useful life of the non-current assets had not been reviewed annually as required by Paragraph 65 of the Standard, fixed assets of 05 categories costing Rs.13,041,759 were further in use despite being fully depreciated. Accordingly, action had not been taken to revise the estimated error in terms of Sri Lanka Public Sector Accounting Standard 03.





### 2.2.2 Accounting Policies

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Even though furniture and computer accessories had been depreciated at a rate of 10 per cent and 20 per cent respectively, it had been shown in the accounting policies that depreciation was being done in a range between 02 years to 10 years and 03 years to 05 years respectively.

### 2.2.3 Accounting Deficiencies

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The following observations are made.

- (a) A sum of Rs.71,502 paid to the Department of Pensions in respect of a former Working Director of the Institute pertaining to the period from 27 April 2016 to 31 December 2016, had been brought to account as an expenditure of the year instead of being adjusted to the profit of the preceding year.
- (b) Even though a Cab received as a donation from the Ministry of Finance and Mass Media in the year 2004 was vested in the Institute during the year 2011 and being used at present, the said asset had not been valued and brought to account despite being used for 13 years up to 31 December 2017.
- (c) Even though the annual depreciation for camera and video equipment purchased at a cost of Rs.115,300 and Rs.115,500 respectively in the years 2009 and 2011 amounted to Rs.11,530 and Rs.11,550, those had been depreciated at Rs.2,306 and Rs.6,930 respectively per year. As such, the net value had been overstated by Rs.83,016 and Rs.32,340 whereas the depreciation of the year had been understated by Rs.9,224 and Rs.4,620 respectively as at 31 December of the year under review.



#### 2.2.4 Lack of Evidence for Audit

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Even though accounts receivable and payable for Value Added Tax had been brought forward from preceding years without being settled, age analysis thereon had not been made available. As such, the accurate amount of tax paid and received during the year could not be ascertained. Moreover, even though tax balances payable from preceding years were observed, no payment of tax whatsoever was observed during the year. The balance of Tax Account as at 31 December 2017 amounted to Rs. 54,853,633.

#### 2.3 Accounts Receivable and Payable

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The following observations are made.

- (a) The trade debtors balances as at 31 December 2017 amounted to Rs.377,742,663 and it included debtors balances of Rs.95,729,558 over 03 years representing 25 per cent of total debtors. No recovery had been made in respect of Rs.89 million pertaining to 42 debtors out of the said debtors balance over 03 years during the year under review.
- (b) Action had not been taken to settle a salary advance of Rs. 21,000 paid to an officer who had vacated the post despite a lapse of 03 years from 31 December 2014.



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

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The following non-compliances were observed.

<b>Reference to Laws, Rules and Regulations</b>	<b>Non-compliances</b>
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<p>(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka</p> <p>(i) Financial Regulation 103(1)(c) and 104(1)(a)</p> <p>(ii) Financial Regulation 110</p>	<p>Formal Inquiries on 2 accidents to motor vehicles occurred in the year under review, had not been held in terms of Financial Regulations.</p> <p>A proper Register of Losses had not been maintained.</p>
<p>(b) Circulars No.05/2008 of 06 February 2008 and No.05/2008(I) of 24 January 2018 of the Ministry of Public Administration and Home Affairs</p>	<p>Even though every public institution should prepare the Citizen’s Charter, the Institute had not taken action to prepare and implement the Citizen’s Charter.</p>

**3. Financial Review**

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**3.1 Financial Results**

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According to the financial statements presented, the financial result of the Institute for the year 2017 had been a net profit of Rs.1,210,436 as against the net loss of Rs.25,628,992 for the preceding year, thus indicating an improvement of Rs.26,839,428 in the financial result for the year under review as compared with the preceding year. Even though the





direct expenditure had increased by Rs.199,212,092, the increase of income by Rs.239,658,881 had been the main reason for the above improvement.

An analysis of the financial results for the year under review and the 04 preceding years revealed a financial surplus in the years 2013 and 2017 and financial deficit in the years 2014, 2015 and 2016. However, in readjusting the employees remuneration and the depreciation for non-current assets to the financial result, the favourable contribution of Rs.36,182, 489 in the year 2013 had increased to Rs.55,447,319 with fluctuations in the year 2017.

#### 4. Operating Review

##### 4.1 Management Activities

- (a) The Institute had not paid employees provident funds of 28 months pertaining to the period from February 2002 up to December 2009 on the due date and as such, a penalty of Rs.812,459 had to be paid. According to the letter No.19643/AC of 14 January 2011 issued by the Assistant Commissioner of the District Labour Office in Colombo Central, approval had been granted to pay the said amount by 10 installments of Rs.81,245 each and a sum of Rs.406,229 had been paid from August 2017 to December 2017. Even though the said penalty paid from the funds of the Institute should be recovered from the officers responsible for the delays in the payment of provident funds, it had not been so recovered.
- (b) The officer who has been recruited as the Internal Auditor of the Institute had committed a financial fraud of Rs.11,988,000 in the year 2014 due to weak financial management, weaknesses in internal control and failure in implementing the internal audit systematically. Nevertheless, no amount whatsoever had been recovered from the responsible party even by the end of the year under review as the relevant inquiries were not concluded without delay.



#### 4.4 Staff Administration

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The Institute had recruited an officer from 09 April 2015 for the post of Personal Legal Adviser which was not included in the approved cadre. Further, a sum of Rs.849,000 had been paid as allowances and fees from the year 2015 to the year 2017 without an approval.

### 5. Sustainable Development

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#### 5.1 Achievement of Sustainable Development Goals

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Every Government institution should act in terms of the 2030 “Agenda” for Sustainable Development of the United Nations while the Institute had not been aware of the manner in implementing the functions that come under its scope pertaining to the year under review. As such, action had not been taken to identify the sustainable development goals, targets relating to those functions and focal points to reach those targets and indices for measuring the achievement of targets.

### 6. Accountability and Good Governance

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#### 6.1 Presentation of Financial Statements

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According to Section 6.5.1 of the Public Enterprises Circular No.PED/12 of 02 June 2003, the Draft Annual Report and financial statements should be presented to the Auditor General within 60 days after the close of the year of accounts. Nevertheless, the financial statements for the year ended 31 December 2017 had been presented to the Audit by the Selacine Television Institute only on 18 July 2018 with a delay of 140 days.





## 7. **Systems and Controls**

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Institute from time to time. Special attention is needed in respect of the following areas of control.

### **Areas of Systems and Controls**

### **Observations**

- |                                   |  |
|-----------------------------------|--|
| (a) Internal Audit                | Failure to strengthen the Internal Audit Unit by attaching a suitable staff to enable the identification of weaknesses in the internal control and the changes to be made. |
| (b) Debtors and Creditors Control | Failure to maintain records to enable obtaining correct information on due date in the manner required and non-settlement of loan balances on due dates.                   |
| (c) Payment of Advances           | Failure in adhering to the provisions in financial regulations and circulars to be applied in the payment of advances.   |
| (d) Assets Control                | Non-maintenance of Register of Fixed Assets and the Inventory, failure to conduct the Boards of Survey properly and to submit the reports thereon.                         |

H.M. Gamini Wijesinghe  
 Auditor General

# Response to Auditor General's Report 2017

## Clarifications regarding the Auditor General's Report on the Financial Report of Salacine Television Institute for the year ending 31<sup>st</sup> December 2017.

### 1.4.) Establishment of the institution

The measures related to frame legal provisions required to establish this institution have been completed into a considerable level and, a cabinet paper was submitted in 2014 to convert it as a government owned Limited Public Company, after brought it under the Ministry of Mas Media and Finance which has presently been submitted to the Ministry of Finance after obtaining the cabinet approval. Discussions pertained to this are being held with the Treasury and the institution expects to get a remedy for this situation very soon.

### 2.2.) Comments on Financial Statements

#### 2.2.1) Sri Lanka Government Accounting Standards

##### (a) Sri Lanka Government Accounting Standards 1

Steps will be taken to indicate separately the receipts and payments of Value Added Tax and Nation Building Tax, 2018

##### (b) Sri Lanka Government Accounting Standards 7

Assets with zero value are presently being used and steps have been taken to obtain the assistance from the Department of Valuation to value the assests according to 11.2 of the final accounts of 2017. Steps will be taken to include the relevant values into the accounts while preparing the final accounts for 2018.

#### 2.2.2.) Accounting Policies

The depreciation policy was changed in 2013 and the accounts were depreciated for 10 years from that year under the straight line method. Steps will be taken to correct said mistake while submitting the Financial Statements for 2018.

#### 2.2.3) Accounting defects

(a) Steps will be taken to correct it in 2018, after adjusting to the held over profits.

(b) This Cab was valued to a sum of Rs. 1,950,000/- in 2012 and, has included to the books of accounts.

(c) In changing the rate of depreciation made in 2013, the depreciation has made considering the net current value as the asset value, deducting from the total cost of the depreciation asset, made as at 31.12.2012

#### 2.2.4) Non availability of witness for the audit

The file related to year 2016 was handed over to the government audit division and it was not returned to the Selacine Institution. All descriptions pertained to previous years' tax payments were conained therein.

### 2.3) Accounts receivable and payable

(a) The said cleints are often informed to settle these indebted balances. Problems have arisen while taking steps to recover these debts due to such reasons i.e. due approval has not been obtained by former management in respect of the transactions made with regard to these debtors and, non availability of parties known with regard to that due to changing of heads in these institutions. The external suppliers had not been worked correctly so that the payments for clients had not been made. The institution takes its often effort to recover these debts and, debtors are informed from time to time to settle these debt balances. In addition to this, attention have been drawn by heads of the institution towards these indebted balances.

(b) The salary advance of Rs. 21,000/- paid to the officer resigned from the service was settled in 2018.

### 2.4) Rules and regulations and, non-compliance to the management decisions.

(a) The Code of Finace Regulations of the Democratic Socialist Republic of Sri Lanka

(i) Investions pertain to a vehicle accident to which estimated for a sum of Rs. 189,250/- out of the vehicle accidents occurred in the year under review were conducted in terms of the Finance Regulations. The information pertained to said vehicle accident have already been entered to the Register of Losses & Damages and, steps were taken to recover the cost of damage occurred the vehicle from the insurerer. The vehicle will be repaired according to the instructions stipulated in the Public Administration Circulars. Repars in respect of the internal damages are done by the registered garages.

(ii) A register pertained to the damages is maintained which may be submitted for your inspection.

- (b) Nothing information or file could find whether the Citizen/Client Charter mentioned in the Public Administration Circular No. 05/2008 and, the Circular No. 05/2018(1) issued by the Secretary to the Ministry of Public Administration and Home Affairs, had been implemented in this institution.

Accordingly, the Sri Lanka Institute of Development Administration has informed that steps will be taken to give the necessary training and to make aware of the officers with regard to preparing and implementation of the Charter and as stipulated in Chapter 2.4 of the Public Administration No. 05/2008. Therefore, you are kindly informed that the relevant officers have been instructed to prepare the Charter, after inquiring from Sri Lanka Institution of Development Administration to give a training for suitable officers.

### 3.) Financial Review

#### 3.1) Financial Results

In comparing to 2016, the turn-over of the institution had increased by Rs. 240 million and therefore the gross profit also could increase by Rs. 41.0 million. The expenditure had decreased by Rs. 4.4 million than 2016 as a result of parsimonious controlling of finance and other expenses. As a result of above, the institution could achieve a net profit of Rs. 1.2 million in 2017.

### 4.) Operative Review

#### 4.1) Management Activities

- (a) In relation to the Employees' Provident Fund, a surcharge of Rs. 812,459/- for the period of 2002 – 2009 had imposed. The institution faced to various financial and difficulties within that period and therefore the EPF contributions couldn't remit at the proper time. It was not the fault committed by an officer and, steps had been taken by the previous management to remit all arrears in monthly installments on approval granted by the Commissioner of Labourer.
- (b) A complaint about the rip-off committed by the Internal Auditor as a result of the weaknesses of the institution's internal control was lodged at Kurunduwatta Police Station, by the management where upon and, a domestic inquiry pertained to that had been conducted. The officer had resigned and left the institution when the domestic inquiry was conducted. A complaint about this loss has been lodged at the Financial Crimes Investigating Division (FCID) for the time being and investigations are presently being carried out by said division.

#### 4.2) Staff Administration

A special financial investigating division was established after the new government came into power in 2015 to investigate the monetary frauds. A large number of financial frauds related to this office had been reported at that time and officer in said division arrived daily to obtain verbal statements and for investigations. Files containing financial information pertained to five years also taken under its (FCID) custody.

Also a large number of unresolved cases i.e. internal investigations, cases heard in the Labour Tribunal, cases heard in Colombo Commercial High Court and the cases heard in the Department of Labour were stagnated. Nobody was aware about them and therefore those affairs were in slow situation resulting to bear a expense by the institution.

Accordingly, a qualified Lawyer has been hired for legal consultation about those cases as a temporary step to accelerate them. In comparing the higher fees charged by the Lawyers in respect of such consultations, I would like to point out that the amount paid to the Lawyer for our institution is too small.

I would like to point out that the Lawyer recruited by our institution had been paid a very low amount, in comparing the higher amounts charged presently by other Lawyers against the services obtained for such matters.

2. The above officer had been appointed on an exigency and temporary basis and therefore steps have not been taken to obtain approval from the Department of Management Services. Further, payment of such monthly allowance for this officer had been discontinued after 2016.
3. A qualified and experienced Lawyer had been appointed as a Legal Consultant.
4. He was appointed to obtain the legal advises as well as to attend attend for all legal matters related to the institution and therefore duties in the letter of appointment have not defined separately. He had been engaged with such duties on short term basis.
5. He was instructed by the letter of appointment issued to him, to report for work twice a week but his service had been obtained beyond that and therefore, the need of maintaining and attendance record doesn't arise.



**5) Sustainable development****5.1) Achieving the sustainable development objectives**

Steps are taken to contribute for the sustainable development objectives identified by the institution and, the necessary things are done to achieve the targets related to above. Through that, the indexes measured the progress related said targets have been identified.

**6.) Accountability and good governance****6.1) Presenting the financial statements**

- (a) According to Section 6.5.1 of..... Circular No. PED12 and dated 02<sup>nd</sup> June 2003, the Financial Statements should be prepared within 60 days by ending the financial year and sent to the Auditor General. This couldn't do because of the final accounts pertained to past few years had not been finalized and, compelled to expedite to finalize them soon. Steps have been taken to send the accounts to the Auditor General, without delay.

**7) Systems and controls**

## (a) Internal Audit

The necessary staff for the Internal Audit has presently been provided. Accordingly, the necessary equipment and facilities to carry on its affairs independently have been provided.

## (b) Controlling of debtors and creditors

Steps have been taken to introduce a new software system (Job Manager) suitable to obtain quickly the information pertained to the debtors and creditors, from which may able to obtain the information more correctly.

## (c) Advance payments

Advances are paid in compliance to the Financial Regulations as well as steps have been taken to settle the advances taken by relevant officers, without delay.

## (d) Fixed assets controlling

The fixed assets register and, the register of computer accessories are presently being prepared and will be sent to you very soon. An inventory is being maintained by the Administrative Division and, the Board of Survey has been completed duly, of which the report has sent to you.



Keshal Jayasinghe  
Chairman  
Selacine Television Institute



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