

# **SRI LANKA BROADCASTING CORPORATION**

## **ANNUAL REPORT & STATEMENT OF ACCOUNTS**

**From 1<sup>st</sup> January 2002 to 31<sup>st</sup> December 2002**

The Honourable Minister of Mass Communications,  
Ministry of Mass Communication,  
Colombo - 01,

Hon'ble Sir,

**Annual Report - 2002**

In terms of Section 14(i) of Finance Act. No. 38 of 1971 I have the honour to forward herewith the report mentioned below on behalf of the Corporation.

1. Annual report on the activities of the Corporation during the period of January 1<sup>st</sup> 2002 to December 31<sup>st</sup> 2002
2. Copy of the Balance Sheet as at December 31<sup>st</sup> 2002 and copy of the Income Statement for the year ended December 31<sup>st</sup> 2002.
3. Final report of the Auditor General on the accounts for the year ended December 31<sup>st</sup> 2002.

Yours faithfully,

Prof. **Dammika Ganganath Dissanayake,**  
**CHAIRMAN**

Sri Lanka Broadcasting Corporation,  
Colombo - 07.  
21.04.2003

**ANNUAL REPORT OF THE  
CORPORATION - 2002**

**SRI LANKA BROADCASTING CORPORATION  
ANNUAL ADMINISTRATION REPORT OF THE  
ACTIVITIES OF THE CORPORATION FOR THE YEAR 2002**

**01. Introduction**

The Sri Lanka Broadcasting Corporation was constituted with effect from January 05<sup>th</sup> 1967 by the Parliamentary Act. 37 of 1996

- 1.1 Performance of this Corporation for the period of 12 months from January 01 to December 31, 2002 is reflected in this report.
- 1.2 The members of the Board of the Corporation during this period under review was as shown below.

<b>Name</b>	<b>designation</b>	<b>Date of Appointment</b>
<b>i.</b> Prof. Dammika Ganganath Dissanayake	Chairman	11.02.2002
<b>ii.</b> Mr. Muktar Marikkar	Working Director	11.08.2002
<b>iii.</b> Mr. P. Thawarasa	Member	11.08.2002
<b>iv.</b> Mr. B. Weerasinghe	Member	20.10.2002
<b>v.</b> Mr. K. A. B. T. B. Jayasekara	Member	20.10.2002
<b>vi.</b> Mrs. A. A. R. Ratnayake	Member	20.10.2002

- 1.3 Mr. Nimal Lakshapathiarachchi was appointed as the Acting Director General with effect from 10.03.2002.
- 1.4 Mr. Erananda Hettiarachchi was appointed as the additional Director General with effect from 01.02.2002.
- 1.5 Biggest challenge faced by the this Corporation in the year 2002 had been the selection of the direction that Sri Lanka Broadcasting Corporation should go amidst the competitive media environment. As such a comprehension regarding the vision as well as the mission of the Corporation had to be decided. Thus a committee consisting the senior executive officers prepared a plan regarding the vision and mission of the Corporation for the next few years. In this juncture consideration had been draw about the challenge regarding how to operate the broadcasting service as a public radio service and as basis of commercial broadcasting channel in a competitive media pattern.

**1.6 Vision of the Institute.**

To be the communicator who could fulfil expectations of the General Public of Sri Lanka.

**1.7 Mission**

Construction of the society with having full of knowledge by providing real and neutralised information.

- Production of Programmes in order to develop a high appreciation and enthusiasm
- Operating as an organisation that provides best service to the clients.

**02. Planning for the production of programmes and action taken to restructure the institute had been the challenges faced during the year 2002.**

in this regard steps were taken to revise the programmes in all the sections subjected to investigations and to obtain a report regarding the structure of the organisation with the participation of the Sri Lanka Institute of Development Administration.

### **03. Programmes operated and the progress of the project during the year 2002.**

#### **3.1 Sinhala National Service**

- (01.) Main problem faced by the Corporation in the year 2002 was re-gaining the faith of the listeners that had been disgusted. The programmes in the National Service had to be reformed in this regard.
- (02.) Special working session was organised to reform the Programmes in the National Service with guidance of the professors, Doctors in the Universities and learns scholars in various fields in this regard. Special attention in this working session had been drawn in respect of the series of programmes broadcast regarding classical forum.  
As the Sinhala National Service is been considered as the Public Channel in the Media of Broadcasting, the responsibility in performing this service for the listeners is based on it. Thus it had to design and operate the programmes by this channel with the intention achieving some progress in all aspects of lives of the listeners such as the field of economic, social, cultural, spiritual health and rituals and also in order to uplift the level of quality of the listeners during the year under review.  
An airtime of 18 hours and 20 minutes from 4.55 a.m. to 11.15 p.m. daily up to June 30, 2002, an air time of 11 hours and 50 minutes daily from 4.55 a.m. to 7.00 a.m. and from 4.00 p.m. to 11.15 a.m. in weekdays, an air time of 15 hours and 50 minutes from 4.55 to 1.00 p.m. and 3.30 p.m. to 11.15 p.m. in weekends during the latter part of that year and an air time 23 hours 35 minutes from 4.55 a.m. to 4.30 a.m. in Full moon days could be utilised. for this service.
- (03.) While whole sets of programmes had been re-scrutinised in order to reduce the air time, steps were taken to minimise the damage to the contents of the programmes by consolidating those programmes which were in a similar pattern.
- (04.) Mean while the series of the programmes "Subarathi" Broadcast in the morning sessions could be rearranged in a fresh form, special attention regarding weekly programmes were introduced about the political and social changes occurred with the agreement of memorandum of understanding. Those programmes could be broadcasted from the areas such as Jaffna and Batticalo.
- (05.) Sinhala National Service could perform a productive media role through the special programmes by re-acquiring the main media character at the state organised festival celebrations such as National Independence day and National May day.
- (06.) Several programmes with regard to the commemoration of several artistes who had rendered excellent service to the broadcasting media could be introduced in a fresh form. listeners' commendation could be gained for the programmes produced in the names such as -

Karunaratne Abesekera Commemoration  
Somadasa Elvitigala Commemoration  
H. R. Jothipala Commemoration  
Milton Perera Commemoration

- (07.) Steps were taken to introduce a special appraisal system about the presentation of qualitative improvements to the programmes through co-ordinating with Audience Research Division by organising training session for the producers and announcers etc.

- (08.) While special attention was obtain client sponsorships for the programmes in the National service, every effort had been made to maintain it without any damage to the concept of the public service aspirations.
- (09.) National Service had devoted the year confined to as a year of restructure and reorganisation.

### **3.2 Sinhala Music Division**

Once, Sri Lanka Broadcasting Corporation was named as the organisation that had born the burden of introducing novel songs. While special attention had been drawn in re-producing new lyric with the intention of re-achieving this heritage that had changed in front of the improved media competition, the programmes “Maduwanthi” had been reintroduced with participation of single artiste and single lyric writer.

Meanwhile efforts had been taken to introduce at least 5 songs of children in every month in order to fill up the shortage of children’s songs in this field. Action was taken to broadcast at least a child’s song in every before noon broadcast.

The orchestra in the corporation have been compelled to record the music of those radio songs while success result could be gained even at a little delay.

### **3.3 News Division**

The strongest challenge faced by the News Division in the year 2002 had been re-gaining the faith of the listeners. An over-all change in the news bulletin had to be made in this regard. So setting aside the altering the traditional theme of the news bulletin action had taken to change the contents in it, at the change of the government, Main and foremost action had been the presenting independent as well as neutralised news broadcast. The reports of audience research had revealed the success achieved in this respect.

Independent survey reports had disclosed that the news bulletin broadcast in the morning at 6.00a.m. in Sri Lanka as that the most number of listeners gather together to listen radio news that can be mentioned as a clear example in this regard.

Steps had been taken to re-organise the news programmes. News Division could able to draw the attention of the public further more by introducing the programmes such as “Ada Parlimenthuwen, Prawurthi Sandarasanaya” and by inserting item “Helidarawwa” to the news bulletin.

Steps were taken to introduce additional news bulletins in the name of “Loka-Pravurthi, Pradeshiya Pravurthi” as well as “Govikam Puwath”. Efforts had been taken to build up a new media culture by live broadcasting the informations from un cleared areas in the north before and after signing the memorandum of understanding by the government with L.T.T.E. group and to deliver those informations to public and private media institutions.

### **3.4 Sports Section**

Sport channel had to be suspended temporary as the presenting of the programmes regarding sports had not been in a formal system. As there had been the possibility of covering the whole programmes with in a time frame less that 02 hours the relevant programmes could be complied with the commercial channel in order to bring them up to the listeners in a more attractive way. Meanwhile, steps could be taken to reserve a spare frequency for the sport channel in essential occasions.

While the Sri Lanka Broadcasting Corporation got the opportunity of operating as the authorised broadcaster at the 14<sup>th</sup> Asian Athletic Meet held in Colombo during 2002, it could transmit all the events also as live broadcast.

At the dispute regarding the broadcasting the International Cricket Tournament, the corporation could get a favourable decision by the Supreme Court can be mentioned as a special incident.

This corporation was able to get the listeners commendation for the live broadcast of the Mini Work Cricket Trophy held in Sri Lanka during the year 2002.

### **3.5 Studio Operation Section**

Studio operation section could operate totalling 31 studios such as 08 co-ordinating studios, 03 editing studios and 20 recording studios attached to the Head Office utilising the modern technical equipment for recording, editing and broadcasting purposes.

This section had been able to render the listeners with a service of 103.5 hours daily through 09 local and foreign channels including foreign media such as Hindi, Malayalam, Telengu, Kannada ets. In addition to the main language Sinhala, Tamil, and English. Meanwhile Sinhala Commercial Service had been operated through our 24 hours of the day.

### **3.6 English Commercial Service**

As the English Commercial Service was been carried out as a entertainment channel, more devotion had been given for high quality music. In order to carry out the programmes in this service on a new style, a group of young relief announcers were employed, while several number of additional programmes regarding current affairs could be added. Programmes regarding peace process and it's development, on the budget, economic situation, International affairs, business and investment promotions etc. had been broadcast. Some leaders of the business community were given opportunity to express their opinion on current economic issues and several interviews with important local and foreign dignitaries were broadcast through this service. Programmes to commemorate national leaders, programmes on health, covering various fatal diseases and Buddhist programmes on Vesak-Poson-Duruthu poya days, special Christian religious programmes on Christmas and Good-Friday, and special programmes in Islamic and Hindu religion were broadcast by this service. In addition to them, this service could conduct programmes to suit children, youth and women. All Asia Service had been a very popular channel and a considerable revenue in foreign exchange could be earned for the various religious programmes broadcast by this channel.

### **3.7 Education Service**

Large number of programmes in the form of formal and non-formal basis in Sinhala and Tamil media had been produced to assist the school children during the year under review same as that of the last year. These programmes had been so planned to improve the knowledge and comprehension of the rest of the general listeners, formal Sinhala programmes had been broadcast from 4.15p.m. to 5.00p.m. in weekdays for primary and 6,7,8, grades and programmes that had broadcast from 3.00p.m. to 5.00p.m. in Saturdays and Sundayshad been meant for G.C.E. Ordinary and Advance levels. Further more educational programmes such as "Silpa Maduwa Yata" and "Science and Philosophy" were produced as non formal from 3.30p.m. to 4.15p.m. in weekdays. Programmes of this service had scheduled to be broadcast from 3.30p.m. to 6.00p.m. in weekdays and from 3.00p.m. to 6.00p.m. in weekends, tat had been combined with the programme of the National Service "Lamapitiya" and broadcast daily rom 3.00p.m. to 6.00p.m. since February 05, 2002. Parallel to these, formal and non-formal Tamil programmes had been broadcast from 8.00a.m. to 9.00a.m. in weekdays and 7.15a.m. to 8.30a.m. in weekends and from 2.30p.m. to 5.00p.m. in the same days through Tamil National Service. Airtime relevant to Sinhala programmes in the Education service had to be revised and coordinated with "Lamapitiya" from 4.00p.m. to 6.00p.m. in weekdays and from 3.30p.m. to 6.00p.m. in weekends as well as Tamil

programmes from 4.00p.m. to 5.00p.m. in weekdays and Saturdays and from 8.00a.m. to 8.30a.m. in Saturday s since Fuly 01, 2002.

In addition to them, an educational programme in the name “Nipuna” comprising various problems, disputes in the field of education, reforming education and concepts in education etc. had been broadcast from 10.00a.m. to 10.30a.m. in Saturdays.

Further more, programmes in the form of discussions regarding the general problems face by the G.C.E. Ordianry and Advance level candidates were introduced during the year under review.

Special programmes for children were broadcast in respect of special occasion such as Sinhala New year, Universal children’s day etc. co-ordinate with National Service. Preparation of Programmes, advisory service on operation and provision of funds had been met by the Education Ministry while the National Institute & Education had supplied the scripts for the programmes of the Education Service.

### **3.8 Training Institute**

Training Institute could organised 36 local training courses/ workshop/ seminars during the year under review for production of radio programmes, audition for announcers and presentation, airtime and programmes planning, training of marketing executives, microwave technology etc. Were among them which were meant for the staff of the corporation.

In addition to those, Training Institute could design about basic broadcasting skills for outside persons during the year 2002 from which as additional income also could be derived to the corporation. During the year under review this section in collaboration with the Ministry of Foreign Affairs hosted a training activity at the SAARC regional level. This activity was funded by SAARC – Japan special fund.

### **3.9 Foreign Relations Section**

Foreign Relations section was able to handle all the transaction pertaining to scholarships, official abroad, hospitality to foreign resource persons and other such distinguished foreign guests as well as all other matters related in close collaboration with the Training and Engineering Division. all the co-ordination works in respect of 08 scholarship/ fellowships, 13 seminars/ meetings media and news coverage etc. were among them which were handled by this section satisfactorily, also during the year 2002.

### **3.10Marketing Division**

This corporation had to over come the challenges in business promotion aspect amidst the huge competitive atmosphere where it had used to a monopolised behaviour in the past.

Hence, special attention had to be drawn about the strategies to overcome this challenge during the year 2202 being as a public institution.

While taking steps to commence a formal system to train the sales executive team that was attached to the Marketing Division, steps had been taken to obtain their active contribution for the promotion of sales. Further steps were taken to gain more number of clients as well as to direct the advertising agencies in to marketing field.

Further steps were taken to introduce programmes aimed at marketing promotion meanwhile concentrating the international women’s day and international children’s day had been more productive in promoting programmes in marketing.

A system of computerising the activities in the marketing division could be commenced with having an intention of providing an urgent service.

By reviewing again the foreign sale of airtime, efforts had been taken to revise those agreements in a more productive manner.

As a result of re-organisation, the transactions in the marketing division in a formal and objective planning the corporation could minimise the gap between the income and the expenditure. Hence it could managed to pay an incentive bonus to the employees at the end of the year out of the income derived from.

### **3.11 Tamil Service**

The programmes produced by the Tamil service (spoken words and music unit) during the year 2002 had been commendable as per the listeners view. It carried out considerable and special programs to cover important dates in the calendar along with the normal programmes. This service continued it's trend to produce programmes on peace process. Further more, National day celebration, special features, current affairs, topical events, discussion and interviews were broadcast. Live broadcasts other than recordings were done to cover important events and special Tamil programmes broadcast by Jaffna-Palali service and Kandurata Regional Service were very popular.

Budget proposal discussions, development activities of the government, musical festivals from Hindu Temples and churches etc. Were live broadcast.

To cater all levels of listeners considering age factor, programmes on classical music, light, semi classical, features children's youth's and women's as well as programmes, on rural poetry forum, religious, agricultural, in parliament etc. were introduced by this service.

### **3.12 Tamil Commercial Service**

Programmes in the Tamil Commercial Service were broadcast for a period of 23.15 hours daily, from 5.00a.m. operated as local and foreign. (Colombo International Radio and Asia service) services. Considerable number of programmes in this service could be broadcast as sponsored ones by organising several musical shows and a grand Deepawali sports carnival organised in collaboration with the central provincial council. By which could earn income. With co-ordinating these musical entrainments and shows. Tendral service has been established among the listeners.

### **3.13 Engineering Division**

The major land mark achieved during the year in the area of infrastructure development and introduction of new technology was brining into operation in digital microwave studio transmission link between the central studio complex at the Head Office and 03 main FM transmitting stations namely Yatiyantota, Karagahatenne and Haputale. Thus from September 2002, the Corporations FM radio listener ship catered to by those three FM stations, which amounted to approximately 80% of the listeners could receive the radio programmes with rich audio quality and enhanced reliability.

In addition, studio No.5 at the Head office was modified and developed as a full fledged production studio facility capable of handling complex production task and named as Karunarathna Abeyasekara studio.

In order to ensure attentive power supply to high power short wave transmitters at Ekala, that brings a major share of revenue of the Corporation, this division could provide the support regarding the installation of higher power IMVA generator hired from CEB. Arrangements could be made by the end of the year to finalise the procurement of a new generator utilising a provision

of Rs.20 million. Special Corporation could be achieved by the National Rupavahini Corporation during the year 2002.

### **3.14 Muslim Service**

Radio programmes in the Muslim service had been broadcast 3 hours in 2session per day from 1.30a.m. to 9.30a.m. in weekdays and from 20.00p.m. ro 21.00p.m. daily through Tamil National Service channel in the media Sinhala, Tamil, Malay and Urdu during the year under review. These programmes had been in respect of features connected Nationality religion and culture of Muslim Community, dramas, discussions, peace and harmony of the country, and several development projects.

25 Muslim religious live broadcastings were performed by this services from various mosques, refugees stations, Negombo prison and Holy Mecca with the aid of well wishes. During the Holy month of new moon, Haj festival day celebration of Meelad Unnaby day etc. were covered by special prayer broadcastings. Special arrangements were made to transmit obituary announcement of Muslims in the Shar – Mid – Night transmission as usual. Special programmes on several features arranged by Ministry of Muslim religious and cultural affairs were recorded and broadcast.

## **04. Regional Services**

All the regional services attached to the Corporation have been affected by financial dispute severely. Objectives expected by regional services could not be achieved under the reasons such as – excess staff, not been adjusted to the suit the system of Media competition, spoiled mentality.

Attention had been drawn to re-organise the regional services through changing the programmes, revising the Air time, identifying new sales strategies and Administrative revisions.

An investigation is being carrying out to ascertain whether the regional services could be brought to self defending position by introducing strategies such as referring to special objectives in building up more co-ordination with the head office, strengthening the direct supervision by the head office etc.

Hence, the FM service namely Ruhunu, Kandurata and Rajarata have been achieved a progress for year under review. However, these services should be subjected to be more productive and severe changeable.

### **4.1 Community Radio Services.**

Procedure assigned to Community Radio service has to be re-scrutinised. Urgent re-organising activities consisted of the basic concept of community radio could be commenced during the year under review.

Steps were taken to prepare a basic foundation through direct participation of the secretary to the Ministry to obtain the guidance of UNESCO in the regard.

Consent of UNESCO has been obtained to appoint a co-ordinating officer targeting the re-organisation of the entire community radio service as the broadcasting system that serve the public.

## **05. Conclusion**

Systematically re-construction of the corporation is not an easy task that had been ruined because of mismanagement and politicisation. Hence, it was a huge challenge specially, the changing the attitudes was a very essential matters.

Financial management in an organisation where 54% of the total budget has had to be provided for the payment of salaries and wages is not an easy task.

Hence how can the national broadcasting service approach to a competitive media pattern and it was not a simple challenge.

The organisational structure, designing the programmes, marketing, technological transaction etc. should have to be reformed broadly. A pre-study was carried out in the year 2002 regarding re-organisations in those divisions. Participation of competent of institutes and staff were obtained in this regard.

Year 2002 was an efforts taken year for a sound vase. In this occasion I remember with gratitude for the leadership rendered by the Honourable Minister of Mass Communications, all the other officers in the ministry inclusive the secretary in all means for the series of action launched in respect of promotion of the Corporation's income, introducing staff, welfare facilities etc. I would like to thank the entire staff, all the trade unions and other societies in the Corporation as well as all the sponsored clients, millions of local and foreign listeners in this occasion for the assistance rendered to perform the activities of the corporation in the proper manner.

**Prof. Dammika Ganganath Disanayake.**

Chairman

On behalf of the Corporation.

## **STATEMENT OF ACCOUNTS**

## BALANCE SHEET

As at 31st December 2002

<u>Assets</u>	Notes		31/12/2002 Rs	31/12/2001 Rs
<b><u>Non Current Assets</u></b>				
Property, Plant & equipment	7		<b><u>1,051,713,663</u></b>	<b>1,288,472,961</b>
Capital work in progress			183,523	183,523
New FM Project work in progress	8		125,597,473	82,901,173
Investment in Lanka Puwath Ltd.			<u>1,000,000</u>	<u>1,000,000</u>
			<b>126,780,996</b>	<b>84,084,696</b>
<b><u>Current Assets</u></b>				
Stocks	9		64,467,715	67,478,878
Debtors - sale of Air Time	10	59,253,458		
(Less: Provision for bad debts.)		<u>32,401,035</u>	26,852,423	30,211,080
Staff Loans, Advances Goods in Transit	11		33,284,224	110,877,947
Miscellaneous debtors	12		43,313,931	55,715,088
Other Deposits			7,172,917	7,182,296
Cash, Bank Balances & Deposits on call	13		-7,887,487	8,511,915
AIBD Fund			100,413	300,413
			<b>167,304,136</b>	<b>280,277,617</b>
<b>Total Assets</b>			<b><u>1,345,798,795</u></b>	<b><u>1,652,835,274</u></b>
<b><u>Equity and Liabilities</u></b>				
<b><u>Capital</u></b>				
Government Contribution	18		1,413,690,886	1,586,417,525
Capital Reserve			1,029,636	1,029,636
Revenue Reserve	19		<u>-570,054,510</u>	<u>-411,086,938</u>
			<b>844,666,012</b>	<b>1,176,360,223</b>
<b><u>Non Current Liabilities</u></b>				
Government Loans (Gratuity)			78,934,516	93,845,075
Loan (T.W.R.)	17		<u>178,818,934</u>	<u>147,710,561</u>
			<b>257,753,450</b>	<b>241,555,636</b>

**Current Liabilities**

Creditors - Sales of Air Time	16	75,357,166	76,034,325
Miscellaneous Deposits (Refundable)		1,764,726	1,746,606
Accruals, Advances & Sundry creditors	15	63,794,793	60,210,045
Government Loan Interest (Gratuity)		5,316,200	5,316,200
Provision for Gratuity	14	97,146,448	91,612,239
		<u>243,379,333</u>	<u>234,919,415</u>
<b>Total Capital &amp; Liabilities</b>		<b><u>1,345,798,795</u></b>	<b><u>1,652,835,274</u></b>

**Chairman**  
SLBC

**D.D.G.(Finance)**  
SLBC

## **NOTE OF THE AUDITOR GENERAL**

The accounts of the Sri Lanka Broadcasting Corporation for the year ended 31 December 2002 were audited under my direction in pursuance of provision in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 27 of the Sri Lanka Broadcasting Corporation Act. No. 37 of 1996 and Section 13(1) of the Finance Act. No. 38 of 1971.

My Observations on these accounts that should be published in terms of section 14 (2) (c) of the Finance Act are contained in my report of even date addressed to the Chairman of the Corporation.

**Sgd. (S.C. Mayadunne)**  
**Auditor General,**  
**29 March 2003.**  
**Auditor General's Department,**  
**Colombo 07.**

**INCOME STATEMENT**  
**For the Year Ended 31<sup>st</sup> December - 2002**

	<b>Notes</b>	<b>31.12.2002</b> <b>Rs</b>	<b>31.12.2001</b> <b>Rs</b>
Revenue	1	370,306,201	333,250,019
<b>Add</b>			
Other operating income	2	32,477,184	69,406,316
Gross Revenue		<u>402,783,385</u>	<u>402,656,335</u>
<b>Less</b>			
Distribution Cost	3	30,584,775	26,774,377
Administration Expenses	4	258,079,684	273,742,500
Operating Expenses	5	<u>220,966,465</u>	<u>228,756,553</u>
		509,630,924	529,273,430
Profit (Loss) before Tax		-106,847,539	-126,617,095
<b>Less</b>			
Finance Cost	6	<u>21,692,689</u>	20,059,180
Profit/Loss before Taxation		<u>-128,540,228</u>	<u>-146,676,275</u>
Taxation			
Profit/Loss after Taxation		<u>-128,540,228</u>	<u>-146,676,275</u>
Balance B/F from previous year		-411,086,938	-264,410,663
		<u>-539,627,166</u>	<u>-411,086,938</u>
Previous year adjustments		-30,427,344	
Balance carried forward		<u><u>-570,054,510</u></u>	<u><u>-411,086,938</u></u>



# CASH FLOW STATEMENT

<b>For the year ended 31st December</b>	<b>2002</b>	
<b>Cash flow from operating activities</b>		
Net profit before interest and tax	(128,540,228)	
Previous year adjustment	(30,427,344)	(158,967,572)
<b>Adjustment for</b>		
Effect on exchange rate	52,912,950	
Depreciation	80,517,521	
Provision for gratuities	8,696,381	
Provision for bad debts	3,085,029	
Provision for soft domestic currency	200,000	
Government grant	(10,000,000)	
Interest	11,409,826	
Profit on disposal of assets	(843,305)	145,978,402
<b>Operating profit before working capital</b>		
Decrease in inventories	3,011,163	
Decrease in Debtors	273,628	
Decrease in Staff loan, advance, GIT	77,593,723	
Decrease in Mis. Debtors	12,401,157	
Decrease in Other deposits	9,379	
Decrease in Creditors	(677,159)	
Increase in mis.deposit(refundable)	18,120	
Increase in Accruals, advances and sundries	3,584,748	96,214,759
		83,225,589
Interest	(11,409,826)	
Gratuity paid	(3,162,172)	
Compensation paid	(4,910,559)	(19,482,557)
Net cash from operating activities		63,743,032
<b>Cash flow from investing activities</b>		
Sale of assets	953,000	
Purchase of property, plant and equipment	(16,594,557)	
F M projects	(42,696,300)	
Net cash used in investing activities	(58,337,857)	(58,337,857)
<b>Cash flow from finance activities</b>		
TWR Loan repayment	(21,804,577)	(21,804,577)
Net cash from finance activities		
Net Decrease in cash and cash equivalents		(16,399,402)
Cash and cash equivalents at beginning of period		8,511,915
Cash and cash equivalents at end of period		(7,887,487)

## Statement of changes in equity

### Capital

	As at 1/1/2002	Transfers	As at 12/31/2002
Capital	307,386,085		307,386,085
Capital Gift contribution	38,091,132		38,091,132
Capital Expenditure	57,311,425		57,311,425
Capital Equipment	9,904,238		9,904,238
Capital Grant From Japan	667,210,783	172,726,640	494,484,143
Government Grant for FM project	400,563,987		400,563,987
Studio Rehabilitation fund	49,912,416		49,912,416
Micro wave project	43,537,460		43,537,460
Government Grant for Introduction of Dedicated studios	12,500,000		12,500,000
<b>Total</b>	<b><u>1,586,417,526</u></b>	<b><u>172,726,640</u></b>	<b><u>1,413,690,886</u></b>

### Revenue Reserve

Retained Loss as at 1/1/2001	(247,989,945)
Net loss for the year	(146,676,275)
Previous year Adjustment	<u>(16,420,718)</u>
Retained Loss as at 1/1/2002	(411,086,938)
Net loss for the year	(128,540,228)
Previous year Adjustment	<u>(30,427,344)</u>
Balance as at December, 2002	<b><u>(570,054,510)</u></b>

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2002

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 1. Basis of preparation

The Balance Sheet, Statement of Income, Changes in Equity, Cash Flow, Accounting policies and Notes to Accounts of the Sri Lanka Broadcasting Corpn. are prepared in accordance with generally accepted accounting polices and Sri Lanka accounting standard laid down by Institute of Chartered accountants of Sri Lanka. These financial statements refereed to above are based on the historical cost convention

2. The Corporation has presented the financial statements in accordance with SLAS 3(Presentation of financial statements)

#### 3. Comparative Information

The corporation has consistently applied the accounting policies with those used in the previous year. Previous year's figures and phrases have been re-arrange wherever necessary to conform to the current presentation

#### 4. Events Occurring after the Balance sheet date

All material post balance sheet events have been considered and where appropriate adjustments to or disclosures have been made in the financial statements.

#### 5. Foreign currency translation

All transaction involving foreign exchange are translated in to rupees at the rate of exchange prevailing at the time such transactions were affected. All assets and liabilities denominated in foreign currency at the balance sheet date are translated at exchange rates prevailing on that date. Any gain or losses resulting from the translation of such transactions is dealt with in the income statement

#### 6. Assets and the basis of their valuation

1. Assets classified as current assets on the balance sheet are cash and these which are expected to be realised in cash during the normal operating cycle of the business or within one year from the balance sheet date whichever is shorter. Assets other than current assets are those, which the corporation intends to hold beyond the one-year period calculated from the balance sheet date.

2. Full depreciation is provided on property, plant and Equipment but no depreciation is provide for the purchase made during the year

3. Depreciation is not provided on the land

4. Full year depreciation is calculated in respect of property, plant and Equipment disposed of during the year

5. Other property, plant and Equipment are depreciated at varying rates on their written down value as follows.

<b>Name</b>	<b>Depreciation Rate</b>
Building	2.5%
Plant and Machinery	7.5%
Musical Instrument	10%

Motor vehicles	25%
Furniture, fixture and Equipment	10%
Record Tapes	33.33%
Audio Frequency	7.5%
Transmitters	7.5
Loose Tools	50%

## 7. Debtors and other receivables

Debtors and other receivables are stated at the values estimated to be realised after providing for bad and doubtful debts.

## 8. Liabilities and Provisions

Liabilities classified as current liabilities on the balance sheet are those which will fall due for payment on demand or within one year from the balance sheet date. Items classified as long term liabilities will fall due for payment one year after the balance date

## 9. Retiring Gratuity

Full provision has been made in the financial statements for retiring gratuities payable under the payment of **Gratuity Act No. 12 of 1983**, for all employees including those who have less than five years of continues service and is recognise as an expenses in the period during which their services were rendered in accordance with the **Sri Lanka Accounting Standard No. 16-Retirement benefit cost**.

## 10. Cash Flow Statement

The Cash Flow Statement is prepared using the Indirect Method in Accordance with **SLAS No.9- Cash Flow Statement**

## 11. Capital commitment and Contingencies

Capital commitment and Contingencies of the corporation have been disclosed in the respective notes to the accounts

## 12. Income Statement

### 1. Revenue Recognition

Revenue is recognised on accrual basis

### 2. Expenditure Recognition

All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in the corporation has been charged to revenue in arriving at the profit and loss for the year.

## Notes to the Financial Statements

<b>1. Revenue</b>		
	31/12/2002	31/12/2001
0		
1		
RSale of Air Time Asia Service	77,215,667	80,757,337
0		
1		
RSale of Air Time T.W.R.	92,461,420	67,398,087
1		
4		
RSale of Air Time N.H.K.	88,556,652	84,773,322
2		
1		
RSale of Air Time Local Service	97,030,567	84,881,681
0		
2		
RNational Service Special Program	-	418,973
2		
6		
RProduction Charges - Asia Service	2,682,164	2,568,915
0		
3		
RProduction Charges - Local Service	2,421,540	3,834,351
0		
4		
RObituary Notes	<u>9,938,191</u>	<u>8,617,353</u>
0		
6		
	<b><u>370,306,201</u></b>	<b><u>333,250,019</u></b>
<b>2 Other Income</b>		
RSale of Corporation Publications	12,675	24,157
0		
8		
RInterest on Loans	1,100,390	1,564,258
1		
2		
-		
1		
RMiscellaneous Income (Other)	2,971,310	1,958,726

1			
2			
-			
M			
	Transmission cost of Lakhanda	-	1,500,000
	Finances from Advertising Agents for Returned Cheques	38,868	24,793
1			
3			
	House Rent	40,455	40,553
1			
5			
	Income from Circuit Bungalow - N/Eliya & Udaradalla	-	27,702
1			
5			
-			
A			
	Special Recording	172,647	166,164
1			
6			
	Rent on Canteen	27,236	10,500
1			
7			
	Radio deutsche welle Lease Hire & Service Charges	10,397,482	9,917,362
1			
9			
	Penalty for Late Licensing	28,160	16,070
2			
3			
	Licensing of Importers, Dealers, Assemblers & Repairers of Radio Receivers	562,234	447,514
2			
4			
	Radio Licence Fees	463,832	15,832,211
0			
5			
	Sale of Cassettes	1,653,625	863,359
2			
5			
	Fine Account	8,270	12,947
	Govt. Grant for Licence Fees	15,000,000	27,000,000

2  
7  
RGovt. Grant for Recurrent Expenditure \_\_\_\_\_ - \_\_\_\_\_ 10,000,000

2  
8  
32,477,184 69,406,316

2.1 Rs.15 million received from the government as grant in lieu of radio licence in cancellation.

**3 Distribution Cost**

Collection Expenditure	42,788	962,712
Commission on Sale of Air Time (Local)	14,303,298	9,438,872
Commission on Sale of Air Time (Foreign)	13,035,990	12,710,364
Urgent Scheduling Fees	17,450	98,450
Provision for bad and doubtful debts	3,085,029	3,563,979
Rebates	100,220	
	<u><u>30,584,775</u></u>	<u><u>26,774,377</u></u>

**4 Administrative Cost**

Allowances - Chairman & Members of the Cor	291,816	28,000
Salaries, Wages & Allowances	182,269,399	164,443,802
Contribution to EPF & ETF	26,529,573	26,130,822
Overtime to Staff	10,345,305	13,404,827
Relief Staff	9,377,845	11,167,227
Emoluments to Contract Staff	3,992,368	8,106,534
Staff training Charges (Local)	40,900	127,133
Travelling and Subsistence-(Foreign & Local)	3,572,091	2,897,347
Holiday pay	1,728,947	2,244,845
Gratuity	8,696,381	31,513,612
Entertainment by Chairman	24,101	66,109
Entertainment by Director General	29,393	37,451
Welfare	1,369,542	1,274,228
Medical Service	59,070	45,439
General Charges	1,108,568	2,605,141
Rent Rate & Taxes	4,147,633	3,892,291
Insurance	1,660,636	3,414,524
Audit fees	600,000	500,000
Legal Fees	1,855,366	1,391,409
Publications & Periodicals	380,750	450,491
Penalty for Gratuity	-	1,268
	<b>258,079,684</b>	<b>273,742,500</b>

4.1 The Corporation had incurred Rs.749550.00 in respect of broadcasting of obituary notice of obituary notice of relative of staff members for the year 2002. These notices were Broadcast in accordance with the approved scheme inforce. This was the practice

adopted by the corporation every year.

#### 4.2 **Pending legal cases**

There are 5 cases pending at supreme court, 4 cases court of appeal, 2 cases high court, one cases district court, 5 cases labour tribunal, one case arbitration and human right one case

#### 5 **Other Operating Cost**

Programme Expenditure	2,136,907	4,570,112
Soft Domestic Currency A/C	202,000	200,000
Contribution to Outside Broadcasting Organisations	2,115,658	3,818,933
News Service & News Summaries	2,129,703	1,840,055
Advertising and Publicity	309,069	522,765
Electricity and Power	78,712,356	74,400,590
Postage, Telegrams & Telephones (I) to (ii)	6,213,015	6,575,408
Printing & Stationery	2,127,327	1,998,949
Motor Vehicle running expenses	5,464,172	7,267,738
Repairs and Maintenance of Broadcasting equipment	24,996,275	15,432,015
Repairs and Maintenance of Musical Instruments	18,435	36,350
Repairs and Maintenance of Furniture fix & fittings	465,841	430,046
Repairs and Maintenance of Building & Garden	2,005,793	3,557,278
Depreciation	80,517,521	97,608,993
Professional Charges	23,512	60,355
Service rendered by PMG O/B	-	51,847
Cassettes expenditure	594,146	465,013
Audience Survey & Market Research	-	-36,000
Vehicle hiring Charges	4,225,809	5,238,482
Insurance - T.W.R. Antenna & Transmitters	1,671,708	1,602,855
Assets written off	-864,769	3,114,769
Generating Hiring Charges	7,901,987	
	<b><u>220,966,465</u></b>	<b><u>228,756,553</u></b>

#### 6 **Finance Cost**

Bank Charges	2,841,278	189,058
Debit Tax	21,479	
Interest on govt. Loan	-	2,161,102
Interest on TWR Loan	8,905,038	16,676,705
Gain/(Loss) on Exchange	9,924,894	1,032,315
	<b><u>21,692,689</u></b>	<b><u>20,059,180</u></b>



## 7. Property Plant & Equipment

	Land	Buildings	Plant & Machinery	Musical Instruments	Motor Vehicles	Furniture, Fixtures & Office Equ.	Records & Tapes	Audio Frequency Equip	Transmitters	Library Books	Loose Tools	total
<b>Written down value</b>												
As at 01/01/2002	7,056,151	98,511,723	153,293,920	967,856	4,200,056	40,537,689	2,056,330	234,535,958	747,145,505	167,517	256	1,288,472,961
Addition		78,500	9,929,789	(2,250)	79,450	4,527,193	1,876,609	105,187		80		16,594,557
Disposals					109,695							109,695
Revalue deficit									172,726,640			172,726,640
<b>As at 12/31/2002</b>	<b>7,056,151</b>	<b>98,590,223</b>	<b>163,223,709</b>	<b>965,606</b>	<b>4,169,811</b>	<b>45,064,882</b>	<b>3,932,939</b>	<b>234,641,145</b>	<b>574,418,865</b>	<b>167,597</b>	<b>256</b>	<b>1,132,231,184</b>
Depreciation Charge for the year		2,462,793	11,497,044	96,786	1,050,014	4,053,769	685,375	17,590,197	43,081,415		128	80,517,521
<b>Net book value</b>												
As at 31/12/2002	7,056,151	96,127,430	151,726,665	868,820	3,119,797	41,011,113	3,247,564	217,050,948	531,337,450	167,597	128	1,051,713,663
Rate of depreciation		2.50%	7.50%	10.00%	25.00%	10.00%	33.33%	7.50%	7.50%		50.00%	

7.1 The Japanies project cost of Transmitters & audio equipment was Rs. 873,737,725 at Eakala TX. Station. It was revalued Rs.197,903,000 by the government chief valuer & revalue depicit transfer to the government grant account

## 8 Working Progress

Transmitter	Madukanda	58,715,660	
	Ratnapura	<u>7,630,848</u>	66,346,508
Microwave project		<u>59,249,465</u>	59,249,465
Generater-Ekala		1,500	<u>1,500</u>
			<b><u>125,597,473</u></b>

## 9 Inventories

Stationary & office equipment		197,841	(96,061)
Radio 7 electrical sets		7,941,722	17,299,955
Motor spares		374,739	80,350
General spares		264,331	6,932
Inventriey stocks control account		13,748,551	1,373,874
Diesel & power		1,029,385	916,654
Sub stores-Ekala		550,389	4,691,785
Sub stores-Diyagama		1,979,292	1,979,985
Off charge -Ekala		231,432	231,432
Stock adjstment		675,392	675,392
Sub stores Vaunia			39,924
Sub stores-Hunnasgiriya		1,014,744	1,001,262
Sub stores-Uda Radalla		2,691,354	2,441,782
Sub stores-Putalam		1,743,838	1,742,971
Sub stores-Ambewela		1,683,019	1,687,336
Sub stores-Haputale		273,213	4,086,918
Sub stores-Seeduwa		116,045	116,045
Sub stores-Ratnapura		209,379	188,089
Sub stores-Jaffna		749,435	747,222
Sub stores-Ruhunu sevaya		2,778,853	2,831,958
Sub stores-Galle		266,162	266,162
Sub stores-Weerakatiya		3,375,474	3,374,894
Sub stores-Rajarata sevaye		2,100,342	2,219,176
Sub stores-Maho		5,971,405	5,971,405
Sub stores-Ampara		5,267,390	7,076,072
Sub stores-Kandurata sevaya		3,655,391	3,638,992
Sub stores-Senkadagala		1,248,318	1,248,318
Sub stores-Mannar		263,637	263,637
Sub stores-Mahiyanganaya		1,100,605	1,097,791
Sub stores-Deniyaya		43,264	25,874
Sub stores-Vauniya		241,039	252,752
Sub stores-Yatiantita		2,679,281	
Sub stores-Karagahatanna		<u>2,453</u>	
		<b><u>64,467,715</u></b>	<b><u>67,478,878</u></b>

## 10. Debtors

	<b>2,002</b>	<b>2001</b>
Debtors-Asia service(operating)	54,956,457	55,230,085
Debtors-Asia service(non. operating)	4,297,001	4,297,001
	<b>59,253,458</b>	<b>59,527,086</b>
Provision for bad debts	<u>32,401,035</u>	<u>29,316,006</u>
	<b><u>26,852,423</u></b>	<b><u>30,211,080</u></b>

## 11. Staff Loans, Advances and Goods in Transit

Goods in transit	278,617	52,722,181
Loans to staff	24,291,791	35,986,641
Other advances to staff	6,418,578	11,787,057
Staff Debtors E.P.F.	614,652	632,765
Payments in advance	29,948	300,845
Advance payment to Suppliers	1,484,406	9,287,226
Salaries & wages advance A/C	<u>166,232</u>	<u>161,232</u>
	<b><u>33,284,224</u></b>	<b><u>110,877,947</u></b>

## 12 Miscellaneous Debtors

Current A/C with I.T.N.	4,988	4,988
Sundry Debtors	8,057,282	9,494,949
Dishonored Cheques	3,595,048	3,100,834
P.M.G.current a/c - Obituary notices	8,475,954	8,463,190
Death Donation a/c	1,203,693	1,046,173
Insurance claims pending	370,591	370,591
Goods Lost and Damage in transit	125,776	125,776
Radio Deutsche welle	-12,342,786	-
Festival Celebrations	-8,000	-
Trans World Radio	-	2,179,609
Branch Account with Lakhanda	13,107,862	13,107,862
G.S.T.Control Account	8,185,904	13,060,227
Radio Japan - N.H.K.	8,452,094	4,277,278
With Holding Tax	79,010	65,946
P.M.G. Current A/c Radio License fees	195,700	195,700
Suspense A/c	221,965	-
75 Th Anniversary	304,775	-
Vat Control A/c	1,533,971	-
With Holding Tax	<u>1,750,104</u>	<u>-</u>
	<b><u>43,313,931</u></b>	<b><u>55,493,123</u></b>

13 **Cash and bank balances**

Bank of Ceylon - Giraduru Kotte	20,258	24,253
Bank of Ceylon - Matara	843,327	891,596
Bank of Ceylon - N/Eliya	243,945	243,945
Bank of Ceylon - Corporate Branch	13,081	409,803
People's Bank International Division	57,330	79,425
Bank of Ceylon - Torrington - 135	-15,437,808	(5,057,062)
State Bank of India	966,862	3,843,247
Bank of Ceylon - Anuradhapura	184,306	156,926
Bank of Ceylon - Kandy	62,958	148,617
Nations trust Bank	2,630,164	6,788,531
Bank of Ceylon - Torrington -1646	278,760	147,662
Bank of Ceylon - Torrington -1824	195,940	326,756
People's Bank - Narahenpita	3,507	503,507
Cash Imprest	647,470	569,572
Bank of Ceylon - Torrington 2391	9,132	(1,553,784)
Bank of Ceylon - Madras	1,178,403	935,249
Petty Cash Imprest	-1,528	448
Bank of Ceylon - Bambalapitiya	53,224	53,224
Commercial Bank - Duplication Rd	100,000	
Bank of Ceylon - Kothmale	63,182	
	<u><b>-7,887,487</b></u>	<u><b>8,511,915</b></u>

14 **Retiring Gratuity**

Full provision has been made in the accounts for retiring gratuity payable under the payment of gratuity act no 12 of 1983 for all employers those who have less than five years of continues services and are recognize as an expenses in the period during which their services were rendered in accordance with the SLAS-16 Retiring benefit costs.

	<b>2002</b>	<b>2001</b>
Opening balance	91,612,239	86,024,314
Provision for the year	8,696,381	31,513,611
Payment made during the year	<u>3,162,172</u>	<u>25,925,686</u>
Closing balance	<u><b>97,146,448</b></u>	<u><b>91,612,239</b></u>

15. **Accruals, Advances & Sundry Creditors**

National Security Levy	16,455,581	11,460,107
Accrued Expenses	31,163,450	27,299,164
E.P.F.	1,473,479	2,053,890
Save the Nation Fund	-12,418	(26,249)
Dues to Government	18,044	18,044
Dues to Government	111,415	113,090
Unclaimed Salaries & Wages	942,081	638,561
PAYE Tax	99,962	153,284
Creditors Control A/c	73,040	331,556
Sundry Creditors	297,048	297,048
Sundry Creditors (Unclaimed cheques)	4,493,105	4,743,149
Sundry Creditors Rupavahini Corporation	827,425	827,425

Stamp Duty Payable Inland Revenue		43,049
Training Courses for outside parties	338,430	167,817
Kothmale community Radio Project	42,207	42,207
General Treasury	2,147,905	2,147,905
National Defence Fund	2,835	2,835
Karaghatenna Navy Equipment Room Con:		43,530
SAARC Japan Special Fund	1,042,539	535,921
With Holding Tax		(887,331)
Nipu		26,214
Unesco - Kothmale	472,214	146,114
Sundry Creditor T.W.R.	516,443	
Disposal A/C	3,290,008	
Radio License fees - Collected by Div:Secre:		71,417
Recoveries on Radio Issues		48,308
T.V. Recoveries		193,737
Radio Deutsche Welle		9,719,253
	<u>63,794,793</u>	<u>60,210,045</u>

#### 16 Creditors

Sale of air time- local (operating)	59,684,057	60260420
Sale of air time- local (non operating)	11,264,721	11219953
Sale of air time- local (fully paid contract)	3,162,636	3359860
Sale of air time- local (classified fully paid contract)	180,154	180154
Sale of air time- local (Rajarata Sevaya)	645,555	630447
Sale of air time- local (Ruhunu Sevaya)	158,831	138398
Sale of air time- local (Kandurata Sevaya)	243,998	240293
Sale of air time- local (Giradura Kotte)		4800
Sale of air time- local (Kothmale)	17,214	
	<u>75,357,166</u>	<u>76,034,325</u>

#### 17 Trans World Radio-Loan

	2002		2001	
	US \$	Rs	US \$	Rs
Opening balance	2,748,125	254,861,127	3,088,152	250,263,838
Repayment	340,026	32,381,322	340,026	30,278,539
Exchange loss		10,913,085		34,875,829
Closing balance	<u>2,408,099</u>	<u>233,392,889</u>	<u>2,748,126</u>	<u>254,861,128</u>
Accu. Interest	702,681	45,986,405	803,063	55,546,031
Accu. Insurance	<u>127,313</u>	<u>8,587,550</u>	<u>145,500</u>	<u>10,319,565</u>
	<u>1,578,105</u>	<u>178,818,934</u>	<u>1,799,563</u>	<u>188,995,532</u>

## Note 18

### Capital

	as at 1/1/2002	Transfers	as at 12/31/2002
Capital	307,386,085		307,386,085
Capital Gift contribution	38,091,132		38,091,132
Capital Expenditure	57,311,425		57,311,425
Capital Equipment	9,904,238		9,904,238
Capital Grant From Japan	667,210,783	172,726,640	494,484,143
Government Grant for FM project	400,563,987		400,563,987
Studio Rehabilitation fund	49,912,416		49,912,416
Micro wave project	43,537,460		43,537,460
Government Grant for Introduction of Dedicated studios	12,500,000		12,500,000
<b>Total</b>	<b><u>1,586,417,526</u></b>	<b><u>172,726,640</u></b>	<b><u>1,413,690,886</u></b>

## Note 19

### Revenue Reserve

Retained Loss as at 1/1/2001	-247,989,945
Net loss for the year	-146,676,275
Previous year Adjustment	-16,420,718
Retained Loss as at 1/1/2002	-411,086,938
Net loss for the year	-128,540,228
Previous year Adjustment	<u>-30,427,344</u>
<b>Balance as at December 31st, 2002</b>	<b><u>-570,054,510</u></b>

AUDITOR GENERAL'S REPORT  
**2002**

The Chairman  
Sri Lanka Broadcasting Corporation

**Report of the Auditor General on the Accounts of the Sri Lanka Broadcasting Corporation for the year ended 31 December 2002 in terms of section 14(2) © of the Finance Act. No. 38 of 1971**

The audit of the accounts of the Sri Lanka Broadcasting Corporation for the year ended 31 December 2002 was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist republic of Sri Lanka read in conjunction with Section 27 of the Sri Lanka Broadcasting Corporation Act. No. 37 of 1966 and Section 13(1) of the Finance Act. No. 38 of 1971. My observation which I consider should be published with the annual report of the Corporation in terms of Section 14 (2) © of the Finance Act appear in this report. A detailed report in terms of Section 13(7) (a) of the Finance Act will be furnished in due course.

**1.2 Scope of Audit**

Audit, opinion, comments and findings in this report are based on a review of the financial statements presented to audit and substantive tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitation of staff, other resources and time available to me. The audit was carried out in accordance with Sri Lanka Auditing Standards, methods and practices to obtain reasonable assurance as to whether the financial statement are free of material misstatements. The audit included examination of evidence supporting the amounts and disclosures in financial statements and assessment of accounting principles and significant estimates and judgements made in the preparation of financial statements, evaluation of their overall presentation and determining whether accounting policies adopted were appropriate, consistently applied and adequately disclosed. Sub-section (3) and (4) of Section 13 of the Finance Act. No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

**2. Accounts**

**2.1 Audit Opinion**

In view of my observations appearing in this report, I am unable to express an opinion on the accounts presented. Major deficiencies observed in audit are given below.

<b>Deficiency</b>	<b>Reference to Relevant Paragraphs of this report</b>
(a) Accounting deficiencies	2.3.1
(b) Inappropriate disclosure in the accounts	2.3.2
(c) Understatements and overstatements in the accounts	2.3.3
(d) Unreconciled control accounts	2.3.4
(e) Accounts receivable and payable	2.3.5
(f) Suspense accounts	2.3.6
(g) Unidentified transactions	2.3.7
(h) Lack of evidence for audit	2.3.8
(i) Non-compliance with laws, rules, regulations and management decisions	2.3.9
(j) Transaction not covered by authority	2.3.10
(k) Weaknesses in systems and controls	4

## **2.2 Financial Results**

According to the accounts presented, the working of the Corporation for the year under review had resulted in a pre-tax loss of Rs. 128,540,228. The corresponding pre-tax loss for the preceding year amounted to Rs.146,676,275.

## **2.3 Comments on Accounts**

### **2.3.1 Accounting Deficiencies**

- (a) Expenditure payable and provisions relating to 02 items amounting to Rs.36,479,650 had been shown in the accounts at an estimated value without following any specified basis.
- (b) Overdraft interest (including tax) amounting to Rs. 2,615,930 had been accounted under bank charges.
- (c) A part of equipment at Maho and Weeraketiya transmitting station which were closed down during the year under review had been sold for Rs. 3,290,008 and this income had been shown under miscellaneous creditors without making necessary adjustments in the accounts.

### **2.3.2 Inappropriate Disclosures in the Accounts**

- (a) Net value of fixed assets amounting to Rs. 1,051,713,633 and stocks valued at Rs. 64,467,715 had been shown in the accounts at book value without carrying out a verification.
- (b) A sum of Rs.476,000 paid as compensation to an employee and an external party had been debited to legal & other charges accounts.
- (c) Inventory balance of Rs. 21,512,386 remaining unidentified in 11 stores which were closed down and uncertified balance of Rs. 32,240,487 remaining in 14 stores, had been included in inventory balance of Rs. 64,467,715 which is shown under stocks in the balance sheet.
- (d) A sum of Rs. 30,000 paid as fines for late payment of diesel tax, had been included under expenses of diesel tax.

### **2.3.3. Understatements and Overstatements in the Accounts.**

- (a) Goods and Services tax accounts had been overstated by a sum of Rs. 3,226,047.
- (b) A sum of Rs. 97,146,448 had been provided for gratuity in respect of 1178 employees at the balance sheet date and a sum of Rs. 41,595 had been over provided in respect of five officers according to a sample test.

### **2.3.4. Unrecognized Control Accounts.**

In reconciling relevant balances with schedules of 05 assets accounts amounting to Rs. 66,934,158 and 3 liability accounts amounting to Rs.76,299,247 differences of Rs. 57,323,001 and Rs. 36,675,339 were observed respectively.

### **2.3.4. Accounts Receivable and Payable**

- (a) According to an age analysis debtors and creditors outstanding for over five years amounted to Rs. 59,951,635 and Rs. 89,860,850 respectively.
- (b) Confirmations of balances had not been received from trade debtors totaling Rs. 59,253,458. Sundry debtors totaling Rs. 43,3131,931 and trade creditors totaling Rs. 75,357,166.

### 2.3.6. Suspense Accounts

Necessary actions had not been taken to settle the suspense account balances of Rs. 221,965 which has been brought forward over a period of 14 years.

### 2.3.7 Unidentified Transactions

Following transaction had been brought forward over long periods without identification.

A sum of Rs. 370,591 receivable as an insurance claim, a sum of Rs. 8,475,954 receivable from the Postmaster General on account of obituary notices for which the due period are not indicated over 5 years and a sum of Rs.125,776 to be settled on account of goods in transit lost and damaged.

It is not possible to be satisfied in audit in regard to the recoverability of these amounts. Further, a sum of Rs. 183,523 relating to 5 construction works had been brought forward as work – in – progress over a period of 11 years.

### 2.3.8 Lack of Evidence for Audit.

(a) 38 items in the accounts valued at Rs. 1,575,568,860 could not be satisfactorily vouched or accepted in audit due to the non-availability of quantitative and detailed evidence.

(b) Details of cancelled cheques amounting to Rs. 872,145 had not been furnished for audit.

### 2.3.9 Non – compliance with Laws, Rules, Regulations and Management Decisions

Following instances of non – compliance were observed in audit.

Reference to Law, Rules  
Regulations, etc.

Particulars

#### (a) Finance Act. No. 38 of 1971

Sections 8 (2)

Incurring of capital expenditure over Rs.500,000.

13 ( 5) (b)

Rendition of reports on stocks on and stores.

#### (b) Sri Lanka Accounting Standards

Nos.3,5,10,12,14,18,20,  
21,22,24,30,35 and 36.

Action in terms of requirements of standards had not been taken.

#### (c) Financial Regulations of Republic of Sri Lanka.

FR 104

Action with regard to Losses and Damages.

Fr 395 & 396

Action had not been taken in respect of 240 overdue Cheques amounting to Rs. 615,692.

Fr 756 & 757

Physical verification had not been carried out with regard to inventory items of Rajarata Service.

FR 1645

Maintenance of log books on vehicles.

(d) Circular No: 124 of 24 October 1997 of the Ministry of Finance and Planning.	7 officers had been allowed to act in vacant posts for periods exceeding 3 months.
(e) Treasury Circular No: 842 of 19 December 1978.	A Register of Fixed Assets as per instructions in the Circular had not been maintained.
(f) Public Finance Circular No: PF/ PE/ 3 of 19 November 1999.	Audit and Management Committees had not been established.
(g) Public Administration Circular No: 10 / 2000 of 30 March 2000.	Advisory Committees had not been establishment as required.
(h) Payments of Gratuity Act. No: 12 of 1983	Over calculation of completed years of service and making over provision.
(i) Gods and services Act. No 34 of 1996	Payment of good and services tax without obtaining tax invoices.
(j) Inland revenue Act. No 38 of 2000	Action had not been taken to recover income tax payments made has withholding tax.

### **2.3.10 Transactions not covered by Authority**

A sum of Rs. 100000 had been paid for food and beverages for a function held at Veharamahadevi Park without a proper approval.

## **3 Financial and operating review.**

### **3.1 Performance**

- (a) Corporate plan and operational plan had not been prepared for the year under review to use as and instruments of control to compare with actual conditions for the measurements of effectiveness of the objectives and functions of the corporation.
- (b) Although the corporation has a Audience research division, the last survey carried out was in respect in 1996 the contribution of the audience research division, during a loss marking period of the corporation, had been observed to act a lower level.
- (c) Activities of news editing and musicals section of the Rajarata service had not been adequately planned and maximum contribution of relevant sections had not been obtained to improve the performance of the service.

### **3.2 Management Inefficiencies**

- (a) Bank overdraft at the end of the year under review was Rs. 15,437,808 and overdraft interest paid during the year amounted to Rs. 2,615,930 Cash book balance had continuously shown a credit balance.

- (b) Six account balances totalling Rs. 25,870,931 had been brought forward from preceding year and shown under miscellaneous debtors. Any effective action had not been taken to recover them from parties concerned.
- (c) Twelve transmitting stations had been closed down by the end of the year under review and only the assets of two of those stations had been sold. No adjustments had been made in the accounts in respect of this sale and no action had been taken to dispose of assets of other closed down stations and to make necessary adjustments in the accounts.

### **3.3 Liquidity**

According to the accounts presented current liabilities as at the end of the year under review represented 145% of the current assets as compared with 103% as at the end of the preceding year. During the year under review a sum of Rs. 15 Mn. Had been obtained from the ministry to meet recurrent expenditure.

### **3.4 Idle and Under-utilised Assets**

- (a) Nine transmitters valued at Rs. 27,498,130 and radio electrical equipment valued at Rs. 3,671,924 had been lying idle for periods over 04 years and 16 years respectively.
- (b) Three Bank current accounts with balances aggregating Rs.300,676 had not been operated during the year under review.
- (c) Open theatre of Rajarata Service had been scrapped, as it had not been used for a period of 11 years.
- (d) Director's bungalow of Rajarata Service and its fittings had been subjected to an unusable condition, as it had not been used for a period of 5 years and due to non-provision of any security.

### **3.5 Uneconomic Transactions**

No return whatsoever had been received during the year under review, as in the past years, on an investment of Rs. 1,000,000 made by the Corporation.

### **3.6 Identified Losses**

- (a) A shortage of 96 cassettes of three types, issued by the Corporation to Rajarata Service valued at Rs. 12,000 was revealed at the physical Verification carried out on 29 October 2002.
- (b) 137 items out of 138 inventory items, at director's bungalow of Rajarata Service had not been submitted for the audit examination carried out in November 2002.

### **3.7 Delays in Implementation of Projects**

A sum of Rs. 125,597,475 had been shown in the accounts under the new FM Project. Construction of Madukanda and Doturugala transmitting stations under this project had been delayed for over 6 years.

### **3.8 Personnel**

An approved cadre in conformity with the proposed restructure programme had not been prepared. In consequence, it was not possible to ascertain whether is an excess cadre.

### **3.9 Budgetary Control**

Although the Corporation had prepared a budget, there was no evidence that it had been reviewed by the Board from time to time. Thus, the budget does not appear to have been made use of as an effective instrument of management control.

#### **4 Systems and Controls.**

Special attention is needed in respect of the following areas of control.

- (a) Fixed Assets.
- (b) Inventory Items.
- (c) Budget.
- (d) Stocks.
- (e) Motor Vehicles.
- (f) Personnel.
- (g) Transport Facilities.
- (h) Sale of Airtime.
- (i) Special Recording.
- (j) Internal Audit.

(S.C. MAYADUNNE)  
**Auditor General**