



TELECOMMUNICATIONS  
REGULATORY  
COMMISSION OF  
SRI LANKA

ANNUAL | 2017  
REPORT



**TELECOMMUNICATIONS  
REGULATORY  
COMMISSION OF  
SRI LANKA**

**Annual Report  
2017**

## THE MESSAGE OF HIS EXCELLENCY THE PRESIDENT



The telecommunication sector of a country is a priority area for the countries desire for rapid growth as it is an integral part of speedy economic development. It is cardinally important for any fast developing nation to be with the innovative fast developing technology of telecommunication and Information Communication Technology of today.

The year 2017, which was passed with financial challenges, regulatory changes and technological shifts, saw that the Telecommunication Regulatory Commission of Sri Lanka (TRCSL) has consolidated its position as a successful Government institution in the field of Telecommunication and ICT. The effort of Commission in empowering and enriching the Sri Lankan lives for a better livelihood in a sustainable way is highly appreciable.

According to the survey conducted by the Commission in 2017 to identify the underserved and unserved areas of telecommunication facilities, the action taken to expand new telecommunication facilities in Polonnaruwa and Kalutara District, through the Gamata Sanniwedanaya program was an acceptable progressive step of TRCSL.

Maintaining a good rapport with the international ICT organization to gain more benefit to the nation through training program, seminars, workshops and introducing new technologies are commendable activities of TRCSL in 2017. Conducting training program for special needy people and the teachers of such training centers by the Commission are highly appreciable.

I would like to thank the Chairman, Director General and the staff of the TRCSL for their effort and contribution in respect of the achievements in the year 2017. None of these achievements have been possible without their talents and the dedication extended to the service. The value they created in the field of telecommunication and ICT as a team permeates the entire Sri Lankan lives and on the other hand their efforts enabled to enrich and empower the Sri Lankan transformation through ICT and Telecommunication Technology. The contribution made by the private sector operators and service providers, in introducing new innovative technology in the

telecommunication field through a pair competition to offer a reasonable price level to the general public of the country is also laudable.

A handwritten signature in black ink, consisting of several loops and a final upward stroke, positioned above the name.

Maithripala Sirisena

President of the Democratic Socialist Republic of Sri Lanka

## The message of the Chairman

Today the telecommunication and ICT are fast moving vehicles to reach expected destination of development goals of any country. Providing reliable information for decision making is the key factor in this task and the ICT and telecommunication play the main role at the correct time aiming to correct point in this manner. So there is no development without ICT/ telecommunication in the world today. Having understood fully the gravity of the effect of ICT based development of a country, the Telecommunication Regulatory Commission of Sri Lanka while attending to its regulatory matters, launched a number of progressive programs to explore the possibility of bringing the ICT knowledge to the needy sections of the country in 2017. In this scenario, TRCSL worked hand in hand with the private sector operators to achieve the goals.

During the year 2017, TRCSL initiated many progressive activities towards the development of telecommunication sector of this country. Expanding the Introduction of 19XX short code, initiating new frequency monitoring stations in addition to Kadirana monitoring station, formation of new amendments to the existing Act to strengthen the present law, helping police to find lost-phones as a social obligation, introducing new techniques to measure internet speed as a new facility to the subscribers, conducting awareness programs for Small Entrepreneurial Development sector to gain more business progress, introducing innovative telecommunication software applications, starting renovation works at Colombo head office to give more facilities to enhance the efficiency and effectiveness, action to establish a leisure park at Colombo Lotus Tower Project to make a fully pledged place with recreation facilities and business opportunities and disposal of ICT telecommunication waste materials to solve the environmental issues are some of the new activities carried out in 2017.

The income generated by the commission in 2017 through its means of regulatory measures has been a good income source to the government consolidated fund in 2017 too. The total amount remitted to fund in 2017 was Rs.55.77 Billion. The total industry revenue in respect of mobile phones sector was in a stable position while the fixed access phone sector shown an increase of 7% growth.

When looking back to the year 2017, TRCSL can be satisfied with ITS progress in 2017. The rapport maintained with international telecommunication organizations was more supportive to the country which brought many benefits including training and technical facilities. In this instance the admirable service rendered by Director General and the staffs of TRCSL is highly appreciable.

Chairman

Telecommunications Regulatory Commission of Sri Lanka

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APNIC	Asia Pacific Network Information Center
APT	Asia Pacific Telecommunity
ARPU	Average Revenue Per User
ASMS	Antenna Structure Management System
BOI	Bureau of Investment
CERT	Computer Emergency Readiness Team
CID	Criminal Investigation Department
CSR	Corporate Social Responsibility
CTO	Commonwealth Telecommunication Organization
CWG	Council Working Group
DOA	Department of Agriculture
DTH	Direct To Home
FAO	Food and Agriculture Organization
GCI	Global Cyber Security Index
GMDSS	Global Maritime Distress Safety System
HFDF	High Frequency Direction Finding
ICT	Information & Communication Technology
ICTA	Information and Communication Technology Agency
IMT	Institute Mine Telecom
ISP	Internet Service Provide
IT	Information Technology
ITOL	International Telecommunication Operators Levy
ITU	International Telecommunication Union
JICA	Japan International Corporation Agency
LT	Lotus Tower
MFR	Master Frequency Register
MOA	Ministry of Agriculture
NIA	National Information Agency
OLAC	Outgoing Local Access Charges
OTT	Over The Top
PCU	Project Consultancy Unit
PILD	Policy International Relation and License Division
PPP	Private Public Partnership
PSTN	Public Switching Telephone Network
QOS	Quality of Service
RMC	Regional Monitoring Centers
RMS	Remote Monitoring Stations
RTE	Radio Terminal Equipment
SAARC	South Asian Association for Regional Co-operation
SAFIR	South Asian Federation for Infrastructure Regulation

SED	Small Enterprises Development
SLLRDC	Sri Lanka Land Reclamation and Development Corporation
SME	Small and Medium Sized Enterprises
TL	Telecommunications Levy
TDC	Telecommunication Development Charges
TRCSL	Telecommunications Regulatory Commission of Sri Lanka
TSO	Telecommunications System Operators
UDA	Urban Development Authority
URL	Uniform Resource Locator
VTC	Vocational Training Centers
WTISD	World Telecommunication and Information Society Day



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## CHAPTER - 01

### **Telecommunication Regulatory Commission of Sri Lanka (TRCSL) Origin, Mission, Objectives, Responsibilities and Functions.**

#### **Origin**

The Telecommunications Regulatory Commission of Sri Lanka (TRCSL) is a Government Statutory Body established under Sri Lanka Telecommunications (Amendment) Act No.27 of 1996, which was passed in the parliament for the Amendment of the principle Act namely, Sri Lanka Telecommunications Act No. 25 of 1991. In this report the term Act denotes the Sri Lanka Telecommunications Act No. 25 of 1991 as amended by Sri Lanka Telecommunications (Amendment) Act No. 27 of 1996 and the term Commission denotes the Telecommunications Regulatory Commission of Sri Lanka.

According to the enacted Act no.25 of 1991 as amended by the Act no.27 of 1996, the Telecommunication Regulatory Commission of Sri Lanka (TRCSL) is the Government competence authority to handle telecommunication regulatory matters in the country. Therefore the Commission has been empowered by the Act to uplift the telecommunication services in Sri Lanka while ensuring the interest of consumers and the operators.

#### **The Composition and Meetings of the Commission**

The Commission consists of five members and the Secretary to the President is Ex. Officio the Chairman of the Commission.

The Director General of TRCSL is the Chief Executive Officer who is also a member of the Commission. There were three appointed members who possessed recognized qualifications and have distinguished themselves in the field of law, finance and management respectively.

The Commission has convened eleven meetings during the financial year 2017. The matters decided and approvals granted by the Commission for regulatory matters, Annual Budget of the Commission, Administrative matters, Special Projects etc.

## **Vision**

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

## **Mission**

*Ensure timely delivery of the service nation-wide at an acceptable quality and affordable cost through promotion of fairness and justice in a competitive market through a skilled and ethical workforce.*

## **Interpretation of the mission statement**

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

## **Objectives**

As per Telecommunication Act the general objectives to be achieved by TRCSL are given below:

- a. To ensure the provision of a reliable and efficient national and international telecommunication service in Sri Lanka (save in so far as the provision thereof is impracticable) such as will satisfy all reasonable demands for such service including emergency services, public call box services, directory information services, maritime services, and rural services as may be considered essential for the national wellbeing;
- b. To secure that every operator shall have and employ the necessary technical, financial and managerial resources to ensure the provisions of the services specified in the license;
- c. To protect and promote the interest of consumers, other users and the public interest with respect of the charges for the quality and variety of telecommunication services provided and telecommunication apparatus supplied;
- d. To maintain and promote effective competition among persons engaged in commercial activities connected with telecommunication and promote efficiency and economy on the part of such persons;
- e. To promote the rapid and sustained development of telecommunication facilities both domestic and international;

- f. To ensure that the operators are able to carry out their obligations for providing a reliable and efficient service free of undue delay, hindrance or impediment;
- g. To promote research in to the development and use of new techniques in telecommunications and related fields;
- h. To encourage the major users of telecommunication services whose business are outside Sri Lanka to establish business within Sri Lanka and to promote the use of Sri Lanka's international transit services.

## **Responsibilities of TRCSL**

TRCSL is the national regulatory agency for telecommunication services in Sri Lanka and its main responsibility is to promote sustained development of the industry by shaping the regulatory process, protect public interest and be responsive to challenges in an increasingly competitive market. TRCSL does not provide telecommunications services as such but encourages the efficient and orderly provision of these services by the operators and it is commitment to assist all the telecommunication operators in Sri Lanka to develop world class telecommunication network facilities in the country.

Its major responsibilities are as follows:

1. Enforcement of the provisions in the act and conditions in the licenses issued to operators.
2. Foster free and fair competition among the licensed operators.
  - 2.1 Monitoring competition to ascertain whether the operators are meeting public interests and objectives.
  - 2.2 To ensure seamless interconnection between networks and services.
  - 2.3 To establish a general framework of rules that would enable open entry, non-burdensome and transparent licensing.
3. Pricing.

Ensure the telecommunication services are reasonably priced, taking into consideration of affordability etc.
4. Consumer Protection.

To have the consumer safeguard in place, to encourage citizen participation and open dialogue by conducting inquiries into complaints made by the consumers and members of the public.

5. Social Regulation.
  - I. Universal Access/ Services
  - II. Ensure universal access/provision of services to the rural communities, elderly and people who are differently abled.
  - III. Emergency preparedness
  - IV. To make available telecommunication services, to people with disability.
  
6. Regulation of bottleneck facilities and scarce resources
  - I. Spectrum Management
  - II. Numbering
  - III. Rights of Way
  - IV. Space Segment
  - V. Interconnection
  - VI. Access to international landing stations
  - VII. Access to backbone
  
7. High quality telecommunication services  
To ensure that telecommunication services are of a high quality which are just, reasonable, affordable and which will satisfy the needs of the consumers.
  
8. Promote Good Governance.  
Ensure a transparent decision making process, encouraging public participation and delivering, decisions without undue delay by adhering to principles of natural justice.
  
9. Ensure that the decisions are fair and impartial.
  
10. Help to build a civil society by contributing towards making it an “Informed” society in this modern Information and Communication age.
  
11. Ensure that all operators comply with the requirements laid down by the International Telecommunication Union (ITU) and relevant International Organizations in respect of both equipment and technical standards.

## **Functions of TRCSL**

For the purpose of achieving the objectives, The TRCSL performs the following regulatory functions.

### **1. Processing applications and granting of licensing.**

1.1 Licenses to operate telecommunication systems in Sri Lanka under section 17 of the Act.

According to Section 17 of the Act, no person shall operate a telecommunication system in Sri Lanka except under the authority of a license granted by the Minister on the recommendation of the Commission. However, there are some exemptions from licensing requirements and these exceptions are stipulated in Section 20 of the Act.

1.2 Licenses for the use of radio frequency and radio frequency emitting apparatus under Section 22 of the Act.

As per the Section 22(1) of the Telecommunication Act, no person shall use any radio frequency or any radio frequency emitting apparatus in Sri Lanka or any part of the territorial waters of Sri Lanka or any ship or aircraft registered in Sri Lanka, except under the authority of a license issued by the Commission for that purpose.

1.3 Vendor license under Section 21 of the Act.

According to the Section 21(1) of the Act no person shall by way of trade, manufacture, import, sell, offer for sale, deal in, transfer, hire, lease, demonstrate, maintain and repair any telecommunication apparatus, except under the authority of a license issued by the TRCSL.

### **2. Tariff Regulation**

2.1 Determine tariff in consultation with the Minister as specified under the Section 5(k) of the Act, according to which the Commission has power to determine in consultation with the Minister, the tariff or methods for determining such tariff, taking into account government policy and the requirements of the operators in respect of the telecommunication services provided by the operator.

2.2 Approval/Determination of interconnection charges in term of 5(1) of the Act.

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

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

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

According to the Section 9(1) of the Act, when a subscriber or a member of public makes a complaint to the Commission in relation to the telecommunication service provided by an operator, the Commission may make such investigations as it may deem necessary and shall cause such remedial measure to be taken as the circumstances of the case may require. Section 9(2) of the Act states that in the course of any investigation under Section 9(1) the commission may direct such operator to take such steps as appears to be necessary for the rectification of any cause or matter which gave rise to the complaint, and direct that financial redress to be provided where deemed appropriate.

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

**7. Represent the Government in International Conferences and Foreign bodies who are concern with telecommunication operations.**

**8. Issuance of Orders, Directions by the Commission.**

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

**9. Specifying technical standards for telecommunication apparatus and type approval.**

### **Inter Divisional Collaboration**

Several divisions have attended to carry out the functions of TRCSL. The main functions and the performance of the respective divisions in the year 2017 are described in the succeeding chapters. It should be especially noted that although certain activities have been specifically listed under a particular division, such activities have been carried out by that particular division in association with the support of other divisions.



## CHAPTER - 02

### The Commission & Executive Officers of the Telecommunications Regulatory Commission of Sri Lanka

#### Members of the Commission

Mr. Austin Fernando	-	Chairman
Mr. M.Kinsly Fernando	-	Director General, Member up to 12 <sup>th</sup> September - 2017
Mr. P.R.S.P.Jayatilaka	-	Director General, Member From 13 <sup>th</sup> September - 2017
Mr. Lalith Senanayake	-	Member
Mr. Bandara Dissanayake	-	Member
Mr. Hemantha Warnakulasooriya	-	Member

#### Executive Officers of the Telecommunications Regulatory Commission

Mr. M. Kinsly Fernando	-	Director General, up to 12 <sup>th</sup> September-2017
Mr. P.R.S.P.Jayathilake	-	Director General, From 13 <sup>th</sup> September-2017

#### Commission Secretariat

Ms. R.S. Gooneratne	-	Acting Secretary to the Commission
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#### Administration and Corporate Affairs, Economic and Legal Affairs

Mr. P.R.S.P.Jayatilake	-	Deputy Director General, Administration & Corporate Affairs
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#### Administration and Corporate Affairs Division

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

#### Finance Division

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

#### Compliance Division

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

**Competition Division**

Mr. H.W.K. Indrajith	-	Deputy Director
Mr. C.N. Palihawadena	-	Deputy Director
Ms. H.M. Sriyani	-	Deputy Director

**Legal Affairs**

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

**Spectrum Management Division**

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

**Network Division**

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

**Policy and International Relations Division**

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

**License Management Division**

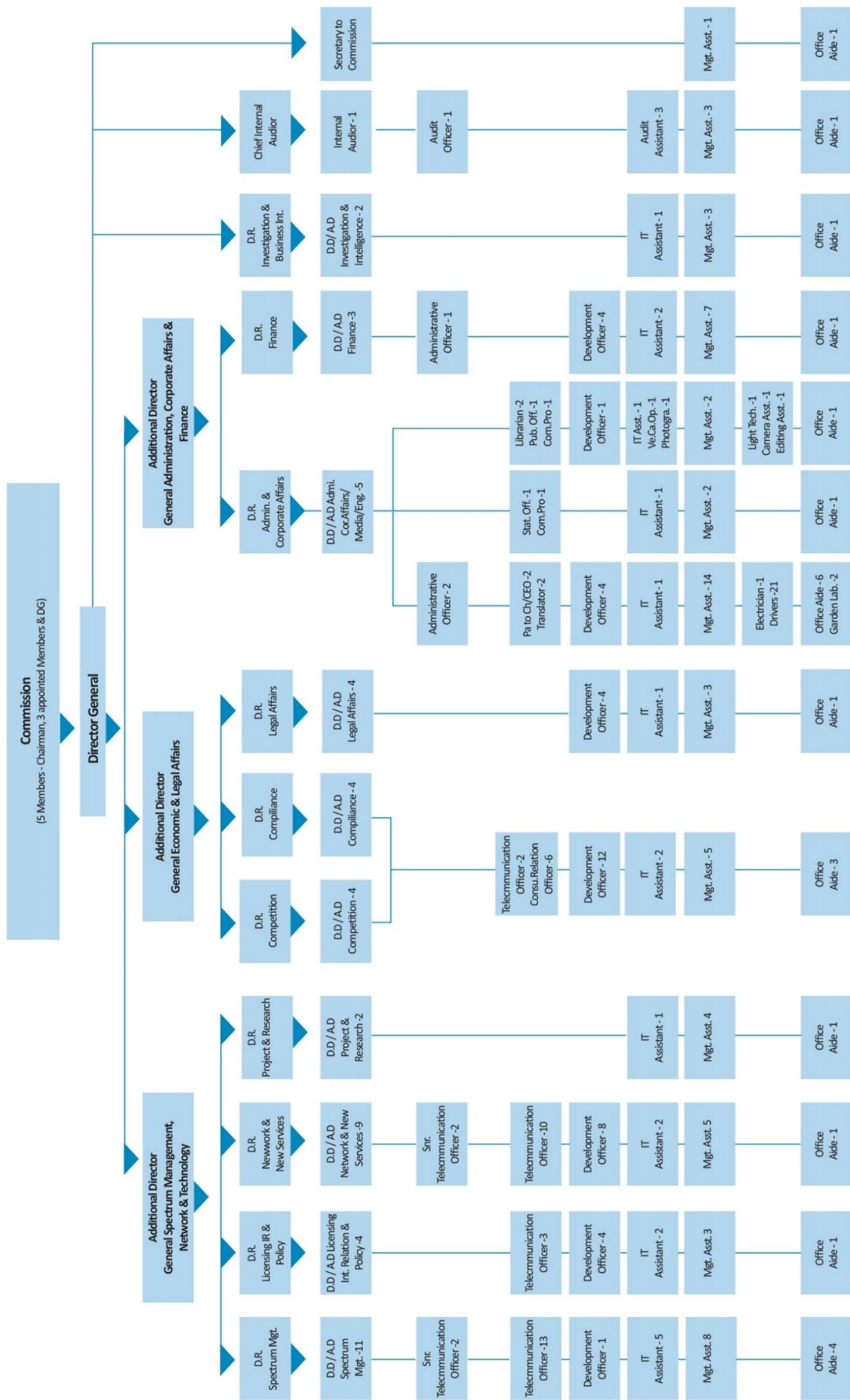
Mr. H.P. Karunarathna	-	Director (from 16 <sup>th</sup> August 2016)
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**Special Project Division**

Mr. J.A.S. Gunanandana	-	Acting Director
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**Internal Audit Division**

Ms. U.A. Samaratunga	-	Chief Internal Auditor
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## CHAPTER - 03

### Progress Review by the Director General of the Telecommunication Regulatory Commission of Sri Lanka (TRCSL) for the year 2017

The Telecommunication Regulatory Commission of Sri Lanka (TRCSL) was established for the purpose of telecommunication regulatory matters of Government of Sri Lanka under the Telecommunication Act No. 25 of 1991 as amended by the Telecommunication Act 27 of 1996. In addition to the mandatory regulatory matters, the Commission is responsible to handle successful and effective relationship with the International Telecommunication Organizations in order to gain more benefits to the sector and to have a link with fast developing innovative technology of the world. In respect of telecommunication operators of Sri Lanka, the policy is to make available more infrastructural facilities with business-friendly environment while offering an affordable price level to the consumers and the general public of the country.

In the previous year of 2017, the TRCSL was in attendance of many progressive works which brought benefits to the country as well as to the telecommunication consumers and private operators of the country. In 2017 both 13XX and 19XX range short codes were in use since this technology was in high demand and the government institutions and private sector institutions were using this technology.

The construction of telephone towers was continued in 2017 adding the total in to 6776 towers by constructing 49 new towers in 2017, in order to have a better service to mobile and fixed phone consumers. In respect of construction of towers, Commission paid attention to the complaints made by public and remedial actions were taken to those complaints while continuing tower construction process.

To maintain a trouble-free telecommunication service, as per the introduced procedure of the Commission, the type approval for the equipment was given to the importers. The table below gives the figure of type approvals in the year 2017.

*Table 1: Equipment clearances and Type approval issued in 2017*

Description	No. of documents issued in 2017
Equipment clearances	3475
Type Approvals	38

Since the trading of mobile and fixed telephones and equipment related telecommunication business was highly popular, more applications received in 2017 for approval and process. The Network division also introduced a new procedure in

this connection and new vendor licenses has been issued in the year 2017. The division could attend to tower related investigation, issuing import clearance letters, and individual clearance letters while attending to tower construction matters.

Issuing and controlling of radio frequencies are handled by the Spectrum Management Division and strictly ensures the requirement of the compliancy to the standards of the equipment to avoid interferences. Issuance of frequency licenses to some of the service categories has been increased in 2017, and the table below shows the details.

*Table 2: Number of Licenses Issued for Spectrum Users Year 2017*

Category of Service	No. of Licenses
	2017
<i>Fixed service</i>	153
<i>Broadcasting service (Television and Radio)</i>	66
<i>Trunking / Paging/ Citizen Band</i>	7
<i>Data / Radio Telemetry Service</i>	49/39
<i>Aeronautical and Maritime Services</i>	
<i>(i) Aircraft stations</i>	74
<i>(ii) Ship stations</i>	91
<i>(iii) Maritime mobile</i>	1872
<i>(iv) Aeronautical mobile</i>	10
<i>Private mobile radio service</i>	272
<i>Amateur Radio</i>	65

There was an increase in some of the categories in respect of clearance reports issued in 2017, since the trade of telecommunication was on the upward trend. Table below shows the increased categories of services.

*Table 3: Number of Clearance Letters Issued in 2017*

Category of Service	No. of Clearance Reports
	2017
<i>Fixed service including CDMA</i>	649
<i>Broadcasting service (TV and Radio)</i>	76
<i>Cellular Mobile Service</i>	
<i>(i) Dealer Licence</i>	7325
<i>(ii) Mobile operators</i>	1130
<i>(iii) Private Mobile Radio</i>	645
<i>Data service / Radio Telemetry</i>	152/39
<i>Satellite service</i>	513
<i>Amateur Radio</i>	15
<i>Low Power Devices</i>	2188

In addition to the existing monitoring stations in Colombo, Kadirana and Kandy, steps have been taken to establish monitoring stations at Jaffna, Batticollo, Matara, Putlam, Mannar, Anuradapura, Trincomalee and Nuwara Eliya. The detection and mitigation of interferences are extremely difficult tasks.

The Legal Division provides legal advice to the Commission with regard to the regulations of the telecom industry of Sri Lanka. During the year 2017 the Commission handled litigation matters in various Courts of Law, where the Commission was a party. Number of Court Cases and 1028 Court Orders were handled by the division. While involving in the process of formation of a new amendment to the current Telecommunication Act, Commission initiated steps to launch procedures in the form of rules, regulations etc. in the exercise of the powers and duties of the Commission and action taken against those who violate the Act.

The Division of Consumer Relation is functioning a vital role towards the wellbeing of the telecommunication community, operators, and the sector as a whole in respect of providing a better telecommunication service. In this manner, the division attends to the complaints of customers with regard to the improper service matters allowing the redressed party to claim financial damages if necessary. Assist to police to find lost-phones is an area the division is interested with, and to end of the year 2017, nearly 165,000 lost-phones complaints have been received.

The Commission strongly believe that the general public of the country should aware the use of telephones and telephones related issues and therefore the Commission arranged several awareness programs to officers of lower level administrative unit, such as Grama Niladari, Development Officers and Field Officers since they are the direct contact officers in the community. Relevant Police Officers of the respective units of the police also included in the awareness programs conducted in 2017. School children awareness programs, newspaper articles, leaflet distribution, and TV/Radio broadcasting programs were the other programs conducted in 2017.

To assure a continuous surveillance for the telecommunication industry, with having established enforcement of appropriate regulatory measures, the Compliance Division functions for the purpose of providing a reliable, efficient and quality communication service to the people of the country. The division consists of three units i.e. Quality of Service (QOS) Surveillance Unit and Broadband Unit. These units have been assigned with distinguish duties identified by the Commission. The set parameters of PSTN operators are tested through QOS methodology adopted by the division and remedial actions were taken in 2017 where necessary.

The Commission uses the surveillance unit to monitor adhering to the licenses, adopt controlling measures on unapproved tariffs and investigate into non-type approved apparatus, unauthorized telecommunication equipment vendors and preparation of rules on regulatory matters etc. The progress of 2017 shows that the division had conducted 803 illegal call terminations, 36 instances of non-type approved sales, 13 instances of unapproved tariff cases.

The Broadband Unit is purely responsible in respect of broadband matters, specially measuring the internet speed which gives the information about the quality of internet service to customers and on the other hand vital to operators for their market competition. Now there are two instruments to measure the speed of a particular internet service which was designed by Moratuwa University and named as “My Speed” and “Net Speed”. The “My Speed” is to use by customers and “Net speed” for TRCSL. The “My Speed” is accessible to the end-user through any web browser by either clicking on the speed test icon displayed on the official web site of the TRCSL or directly accessible to the speed test application URL (Uniform Resource Locator). Through the compliance division, TRCSL initiated actions to conduct ICT-enabled solution applications awareness programs for small and medium range enterprises to enable them to accelerate sustainable developments as experienced in Thailand and Malaysia, with the collaboration of Small Enterprises Development (SED) unit of Ministry of National Policy and Economic Affairs, training programs arranged to “Lower Level ICT Knowledge” group with the objectives to raise awareness on ICT and empowering SMEs to use ICT on their business. When the SMEs are thorough with the ICT knowledge based business, then they are capable to combat competition and able to improve the business.

The international institutions of telecommunication play a vital role to member countries in order to facilitate their telecommunication sectors in case of innovative new telecommunication technologies, regulatory matters and formulation of new policies require to be adopted. The TRCSL during the year 2017, involved in many progressive activities related to Policy matters, training activities, seminars and regulatory matters.

During the year under review, the division engaged in many progressive activities including training programs, events, surveys and other important matters, described below.

- Celebration of World Telecommunication and Information Society Day on 17<sup>th</sup> May

- The training programs of ITU-TRCSL on “ICT for promoting innovative and entrepreneurship” held from 12<sup>th</sup> to 15<sup>th</sup> September 2017
- The ITU, FAO-TRCSL training on “Innovative and Application Development for E-agriculture’ held from 11<sup>th</sup> to 15<sup>th</sup> December 2017
- The International IT Volunteer’s (IIV) program of 2017 held from 07<sup>th</sup> July to 16<sup>th</sup> August 2017.
- 17<sup>th</sup> APT “Policy on Regulatory Forum” (PRF-17) held from 24<sup>th</sup> to 26<sup>th</sup> July 2017.
- The Second Meeting of “Correspondence Group on the Strategic Plan” of the Asia Pacific Telecommunication for 2018-2020 held on 27<sup>th</sup> July 2017.
- The local training course of IPV4/IPV6 Routing for Operators of Sri Lanka held from 6<sup>th</sup> to 10<sup>th</sup> of November 2017.
- The survey of ITU World Telecommunication /ICT Indicators Questionnaire

The membership continuation with the International Organizations is important matter to TRCSL since they provide immense support in respect of innovative developing telecommunication technology and as well as help to improve regulatory matters offering training facilities. The due member fees and contributions made during the corresponding period are given below.

*Table 4: Member fees and Contributions made during the year-2017*

<b>Institute</b>	<b>Amount(LKR)</b>	<b>Date of payment</b>
ITU	24,727,919.20	March 2017
APT	23, 70,834.86	March 2017
CTO	5,000,835.94	April 2017
SATRC-EBC AP VI	2,315,429.50	April 2017

The Special Project Division of TRCSL mainly focused on the key projects such as Colombo Lotus Tower Project, Hambantota IT Park Project, Colombo Head Office Extension Project and Kadirana Rehabilitation and Renovation Project during the year 2017. The Lotus Tower construction project is to facilitate TV and Radio Broadcasting and act as a hub station for telecommunication while sharing the IT Institutions and Net Works in Sri Lanka. Apart from the main goals, providing a high elevation viewing deck, restaurants, shopping spaces are the benefits that drives from the project. These facilities are supportive to tower operation as a source of income generating.



At present Commission is looking forward to find a party to hand over the Hambantota IT Park project on public /private partnership basis and a proposal received from a company namely Toppan Forms (Colombo) Ltd, for a period of ten years on lease basis.

Colombo head office extension building project is another project commissioned by TRCSL in 2017 to provide better and efficient facilities to consumers and operators, fulfill the infrastructure facilities to staff of the Commission and provide required accommodations to held seminars and meetings. It is expected to complete the extension works by the end of year 2018.

Kadirana Frequency Monitoring Station is a ITU registered regional monitoring station of TRCSL for UHF/VHF and HF. High Frequency Direction Finding (HFDF) system was replaced for better operations keeping with its crucial national and international significance. But the building and allied amenities need renovations and repairs when considering its present condition. In this manner, on the request of TRCSL Moratuwa University has submitted a cost estimate amounting Rs.186,968,098/=.

The Colombo Leisure Park which was meant to set up in the adjoining and surrounding undeveloped lands to escalate the value of Lotus Tower Complex to the stake holders on long term basis. This leisure park, it is expected to construct a multi-functional vehicle park along with recreational functions since the Lotus Tower Complex will be a more attractive place within next 75 years. The land acquisition is already approved by the Cabinet of Ministers and UDA is working on it.

For the purpose of providing a better telecommunication service to the consumers while safeguarding the interest of service providers, the Competition Division of TRCSL plays a vital role within the Commission. In respect of consumers, the division assures the affordable price level, quality of service, and the efficiency in providing the service. For operators, the Commission assures a fair competition and price reduction with a quality service. In order to reach these goals, the division has to attend regulatory matters of tariff, monitor internet services, publish industry information, analyze operator performance and collect telecommunication levies including Cess. The foreign experts of IT and telecommunication are being persuaded to visit this country in respect of upgrading networks and other important areas of telecommunication.

The Average Revenue per User (ARPU) in respect of fixed access phones was increased by 6% while 5% decrease of mobile phones. Net profit after tax also showed a similar result as in the table below.

*Table 5: The ARPU of Mobile and Fixed Access Operator for the period 2016-2017*

Category	2016	2017
Mobile	5,258	4,977
Fixed Access	21,691	22,911

The investment in the sector for mobile was Rs.36, 119 million and for fixed access was Rs. 32,035 million. Only mobile phone sector investment was high when compared with the previous year.

The 20% telecommunication levy introduced in 2011 increased as 25% in 2014, and the concessionary TL of 10% for internet was abolished in 2017. Hence the collection on levies shows a slight decline in 2017 as indicated in the table. The Cess collection for 2017 was Rs .4, 209 million and the charts show the gradual increase during the past few years. At present the usage of Over-The-Top (OTT) applications such as “What’s app”, Messenger, Viber, and Skype services are very much popular among public since those services are in easy access. Therefore, the international voice traffic usage dropped drastically in 2017 and that trend was shown in the Telecom Development Charges (TDC) levy collection table below. This trend was similar to Outgoing Local Access Charge shown (OLAC) and same is reflected in the figure given below.

*Table 6: Telecommunications Levy, Cess , TDC Levy and OLAC Levy- 2016-2017(Rs. Millions)*

Year	2016	2017
Telecommunication Levy	30,346	29,133
Total Cess	4,067	4,212
TDC collection (Rs. Million)	8,690	6,218
OLAC collection (Rs. Million)	1,128	730

The authority to approve Tarff Plan of telecommunication is under the purview of TRCSL and Commission approved three long term basis plans and 18 plans of promotional basis in 2017. The promotional basis plans are basically intend to test the market situation and it lasts only three months.

The TRCSL concluded a survey called “**Gamata Sannivedanaya**” to extend the telecommunication facilities to unserved and underserved areas in Polonnaruwa and Kaluthara districts in 2017. On the result of the survey, the Commission developed a project to improve the telecommunication facilities in these two districts.

Disposal of telecommunication waste materials also an area to be concerned since this matter has become a major hazard to the environment. To eradicate this menace, TRCSL requested all the telecommunication operators to place collection bins in their customer service centers whereas TRCSL placed bins at its head office. Further, awareness programs for school children also arranged by TRCSL on this matter.

For last two years 395 visa applications of foreign experts and professionals of ICT and telecommunication were recommended and sent to President Office for approval, since the operators are strived to get the services of such experts, to be par with the fast developing telecommunication technology.

As an additional service to the people of the country, TRCSL has facilitate the public to enter into its' web-site to obtain local and international information.

The Administration Division of TRCSL dedicated to its assigned duties by extending its fullest support to the other divisions with the existing staff of the division as described in the division wise report.

To have an efficient and effective smoothly functioning government organization the Internal Audit Division of TRCSL functions its duties as per the government financial regulations and the Commissions' financial procedures, keeping with the standards and the specifications of accepted accounting bodies of Sri Lanka. Also, the division helps the top management in the instances of operation, detecting and investigation of frauds, safeguarding the assets, facilitating the government general audit etc. The division concluded successfully four audit committee meetings and discussed the matters raised in those meetings and proper actions have been taken accordingly.

The financial division of TRCSL engages in financial matters of the Commission while functioning in financial management in accordance with the government financial regulations and practicing adhering to the generally accepted accounting principles and accounting standards published by the Institute of Chartered Accountants of Sri Lanka. In addition to financial recording, the division involved in matters such as financial administration , cost control, project evaluation, development planning and participating in strategic decision making during the year 2017.

As empowered by the Act No.25 of 1991 and the Amendment Act No.27of 1996, the Telecommunication Regulatory Commission of Sri Lanka fulfilled its obligations towards a better livelihood of the nation of the country in the year 2017 too. In this connection the active participation and the enduring valuable service of the private sector to the consumers of the country is highly appreciable and motivational. The dedicated support of the Commission was a great advantage to achieve the expected goals of year 2017.

## CHAPTER - 04

### Division wise performance reports for the year 2017

#### 4.1 SPECTRUM MANAGEMENT DIVISION

The Spectrum Management Division has been empowered by the Commission to fulfil its obligations mandated by the Sri Lanka Telecommunications Act in respect of all spectrum related matters and to manage the radio frequency spectrum efficiently being a scarce national resource.

By virtue of Section 10(a) of the Sri Lanka Telecommunications Act, the Telecommunications Regulatory Commission of Sri Lanka (TRCSL) is the sole lawful authority in Sri Lanka to manage and control the use of the radio frequency spectrum and matters relating to the stationary satellite orbit and exercise the power when it deems necessary to withdraw or suspend its use or prohibit any such use of frequencies.

The Commission is also vested with authority under Section 22 of the Act to issue licenses for the users of radio communication services, conserve the radio spectrum and enforce compliance with rules to minimize electro-magnetic disturbances produced by radio communication installations.

#### Functions of Spectrum Management Division

- Allocating frequency bands in accordance with the Radio Regulations (Article 5) of International Telecommunications Union and the national priorities;
- Assigning frequencies through issuance of Section 22 licences;
- Establishing regulations, technical parameters and standards governing the use of radio spectrum and use of satellite orbit belonging to the country;
- Spectrum planning;
- Defining technical standards for radio communication equipment;
- Managing the spectrum in order to make adequate provision for various services based on their relative importance to country's socio-economic goals;
- Monitoring of radio spectrum to detect illegal use, unused spectrum and under-utilized spectrum;
- Granting Type Approvals for Radio Terminal Equipment (RTE);
- Conducting license conformity inspections of radio communication stations to ensure their operation is in accordance with the technical standards and parameters stipulated in the license;

- Maintaining regional and international co-ordination and co-operation for the use of radio frequencies;
- Maintaining Master Frequency Register (MFR) such as frequencies, the locations, transmitting power, call signs, etc
- Spectrum re-farming that systematically phases out waning radio communication services in order to free up new spectrum space to accommodate emerging technologies and new services;
- Verifying the compatibility and the interference-free use of authorized emissions, detecting and identifying the origin of the interferences and to resolve them;
- Collecting license fees payable for use of spectrum;
- Conducting Amature Radio and Global Maritime Distress Safety System (GMDSS) examinations;

As per Section 22 of the Telecommunications Act any person who uses a radio frequency emitting apparatus should have a valid license issued by the Commission. The license is issued on the payment of a fee as specified by rules made to govern such incidents unless specified otherwise. The conditions of the license are specified and issued together with the license. Conditions may differ from service to service. In the event of the breach of any such condition, TRCSL has the power to seal the equipment and to revoke the license.

Radio frequency spectrum is allocated in various bands according to the type of service. The nature of service differs from the one to the other depending on the characteristics of radio waves, technical parameters of equipment and applications. Hence the work of the Spectrum Management Division is divided into several service categories.

Spectrum Management Division makes sure that the equipment complies with necessary standards and has a frequency approved by TRCSL for operating the equipment, prior to issuance of an importation clearance when requested by a citizen or a company. This action minimize radio interferences occurring to licensed spectrum users.

However, Spectrum Management Division receives complaints from users whenever they experience interference affecting their transmissions. The arrangements are then made to identify the source of interference and take relevant remedial steps.

### **Progress of the Year**

The statistics relating to the number of frequencies and licenses issued during the year 2017, as well as interference complaints and unauthorized users identified by Spectrum Management Division are shown below:

## Issuance of frequency licenses

*Table 7: Number of Licenses Issued for Spectrum Users, 2017*

Category of Service	No. of Licenses	
	2016	2017
<i>Fixed service</i>	122	153
<i>Broadcasting service (Television and Radio)</i>	54	66
<i>Trunking / Paging/ Citizen Band</i>	7	7
<i>Data / Radio Telemetry Service</i>	15/33	49/39
<i>Aeronautical and Maritime Services</i>		
(i) <i>Aircraft stations</i>	76	74
(ii) <i>Ship stations</i>	92	91
(iii) <i>Maritime mobile</i>	1112	1872
(iv) <i>Aeronautical mobile</i>	11	10
<i>Private mobile radio service</i>	252	272
<i>Amateur Radio</i>	17	65

## Complaints Received and Investigations Undertaken in 2017

*Table 8: Complaints Received and Investigations Undertaken in 2017*

Service	No. of Complaints Received		No of Investigations Undertaken	
	2016	2017	2016	2017
TV and Broadcasting	06	03	06	03
Other Services	18	14	18	13

## Identification of illegal users of frequency spectrum

Special frequency monitoring equipment was used for detecting illegal users of radio spectrum. This equipment is installed in special vehicles designed for that purpose. Above table shows the number of identified illegal users of frequency spectrum for 2017.

*Table 9: Number of Illegal Users Identified and Preventive Action Taken in 2017*

Category	No. of Illegal Users Identified		Action Taken
	2016	2017	
Broadcasting service (TV and radio)	03	02	Action taken to prevent the illegal use
Other services	01	01	

## Number of clearance reports issued for the importation of wireless telecommunication equipment

Table 10: Number of Clearance Letters Issued in 2017

Category of Service	No. of Clearance Reports	
	2016	2017
<i>Fixed service including CDMA</i>	1243	649
<i>Broadcasting service (TV and Radio)</i>	232	76
<i>Cellular Mobile Service</i>		
(i) Dealer Licence	4933	7325
(ii) Mobile operators	1341	1130
(iii) Private Mobile Radio	940	645
<i>Data service / Radio Telemetry</i>	125/07	152/39
<i>Satellite service</i>	471	513
<i>Amateur Radio</i>	35	15
<i>Low Power Devices</i>	1858	2188

### Frequency Monitoring and Investigation

RF Spectrum Monitoring is an integral part of the spectrum management activities. Issuance of Section 22 licence has to ensure a guaranteed use of interference free radio communication system. In reality use of radio communication service without interference is extremely difficult as RF transmitters generate spurious and unwanted out of band emissions. Also, they drive sensitive receivers into saturation which can cause unexpected interferences. Therefore, detection and mitigation of interference is an extremely challenging task and modern state of the art equipment are required to detect them. Spectrum management division maintain three Regional Monitoring Centers (RMC) at Colombo, Kadirana and Kandy. Also maintain two Remote Monitoring Stations (RMS) at Yakkala and Katubedda for this purpose. TRCSL owns a modern spectrum surveillance vehicle for its mobile activities. All of these systems can be accessed remotely.

Also, a modern High Frequency Direction Finding (HFDF) and monitoring system has been in operation at Kadirana monitoring station which facilitates remote monitoring from the TRCSL Head Office.

## 4.2 LEGAL DIVISION

The Telecommunications Regulatory Commission of Sri Lanka is a regulatory body mandated under a statute to regulate the telecommunications industry in Sri Lanka. The Commission is vested with quasi-judicial functions, and thus the decisions, determinations and orders of the Commission are made in accordance with both the rules of natural justice and principles of law.

ICT has become part of everyday life of the people. TRCSL plays a pivotal role in providing online connectivity to the public of Sri Lanka. Thus, with the increase use of internet by the public some people use the internet as a tool for the benefit of their lives and some against the society at large to commit offences. It has brought about new challenges which require legal and technological solutions.

In all legal and regulatory issues, the Commission sought the opinion of the legal division. And this division manages all litigation matters in which the TRCSL is a party. Legal division caters to other divisions of the Commission and other organizations to provide legal advice for the purpose of development of ICT industry.

The main responsibilities and functions of this division are drafting, interpreting, advising and reviewing primary and secondary legislation pertaining to telecom sector laws, rules and regulations and standards. And providing legal opinions on matters referred to by other divisions of TRCSL as well as licensees, stakeholders, ministries are also handled by this division. While providing legal input in regulatory matters, this division is responsible to provide assistance in litigations filed in various law courts.

During the year 2017 this division was involved in many regulatory matters such as frequency licensing, vendors licensing, tariffs, compliance issues, consumer issues and consumer awareness programmes, administration and human resource matters, network issues, internet and online related matters etc.

At the moment the division is in the process of formulating new amendments to the current Telecommunications Act.

### **Litigation**

There are few cases pending before the Supreme Court and the Court of Appeal. And also there are cases filed against the Commission on regulatory issues such as assigning of frequencies, revoking of licenses and noncompliance with regulations, guidelines etc. In addition to the cases filed in 2017 there are ongoing matters ranging from Writ matters in Court of Appeal, money recovery matters in the District Court, Commercial High Court, Labour dispute matters in the Labour Tribunal, Industry related matters in Industry Courts and Human Rights Commission.



As a part of enforcement drive, action was also initiated to launch prosecutions against violations of the Sri Lanka Telecommunications Act.

### **Other Matters**

The processing of Court Orders to assist the Police in their investigations relating to requests for information on mobile/ fixed phones and connections through service providers has also seen an increase this year. 1028 number of Court Orders were processed during the year of 2017.

## **4.3 COMPLIANCE DIVISION**

One of the main objectives of TRCSL is to ensure the provision of a reliable and efficient national and international telecommunication service in Sri Lanka. For this purpose, regulatory measures need to be taken to ensure that telecommunication service providers are compliant with their regulatory obligations to provide a reliable, efficient and quality telecommunications service. This necessitates continuous surveillance of the industry and enforcement of appropriate regulatory measures. Processing of consumer complaints and finding reasonable solutions to their problems results in customer satisfaction as well as enhancement of the profile as a whole. These responsibilities were handled by the Compliance Division of TRCSL. The compliance division consists of three units namely Quality of Service (QOS), Surveillance and Broadband.

### **Quality of Service (QOS) Unit**

The Quality of Service Unit monitor the adherence to QOS Standards set out in the License and the Interconnection Agreements by PSTN Operators, monitor the achievement of QOS Parameter Target Values set by TRCSL for PSTN Operator's network performance, preparation of a report on comparison between measured Quality of Service (QoS) Parameter values by PSTN Operators for voice services and the audited values by the TRCSL, circulating the comparison report among PSTN Operators for information and improvement of the accuracy of performance measurements, evaluate the accuracy of QOS performance measurements made by PSTN Operators by conducting periodical audits and preparation of Rules and Regulations for QOS of Telecommunication services.

Following activities carried out in the year 2017:

- Analyzing submissions of monthly QOS reports received from PSTN Operators and discuss with them for improvements of the QOS parameters where necessary.

- Preparation of comparison report for 3Q2015 and circulated among PSTN Operators for information and improvement of the accuracy of performance measurements.
- PSTN Operators obtain performance measurement data from the Network Counters and compute according to the equation given by TRCSL, and report back in the form of a QOS Parameter.
- TRCSL visited the operator's network and re-evaluate the computational methodology and the raw data obtained from Network Counters for the calculation of QOS Parameters.

### **Surveillance Unit**

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

#### **Tasks Carried out:**

- Investigations into 803 complaints on illegal call termination by licensed operators have been completed.
- Investigations into 36 instances of sale of non-type approved telecommunication equipment by vendors have been completed.
- Investigations into 13 instances of offer of unapproved tariff packages by licensed operators have been completed

### **Broadband Unit**

Speed has emerged as the single most commonly cited metric for characterizing the quality of broadband offerings. Being the Regulator for the telecommunication industry, TRCSL is moving forward with its national broadband initiatives, is desirous of making accurate information about the quality of broadband services available to consumers. The concern about accurate information is two-fold: first, it is

a matter of consumer protection; second, such information will encourage service providers to improve their broadband services in the face of competition.

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

The tool has two components:

1. Download speed measurement via the TRCSL Web site to be used by consumers (the *On-line Speed Test – MySpeed* )
2. Download speed monitoring of broadband services to be used by the TRCSL (*ISP's Internet Speed Test – NetSpeed* )

Two separate web-based applications are implemented to facilitate the above requirements and applications. The back-end of the system is designed as a ReST (Representational State Transfer) service on *Node.js*, a server side platform built on Google Chrome's JavaScript Engine (V8 Engine). *Node.js* has the following features which facilitates smooth running of networking applications;

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

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

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

Main objective of '*MySpeed*' application is to allow Internet users to measure their connection speed. User can download a file according to their preferences. The application is accessible to the end user who needs to measure the speed of his/her Internet bandwidth, through any web browser by either click on the on the speed test Icon displayed in the official website of the TRCSL ([www.trc.gov.lk](http://www.trc.gov.lk)) or directly accessing the speed test application URL (<http://speedtest.trc.gov.lk>).

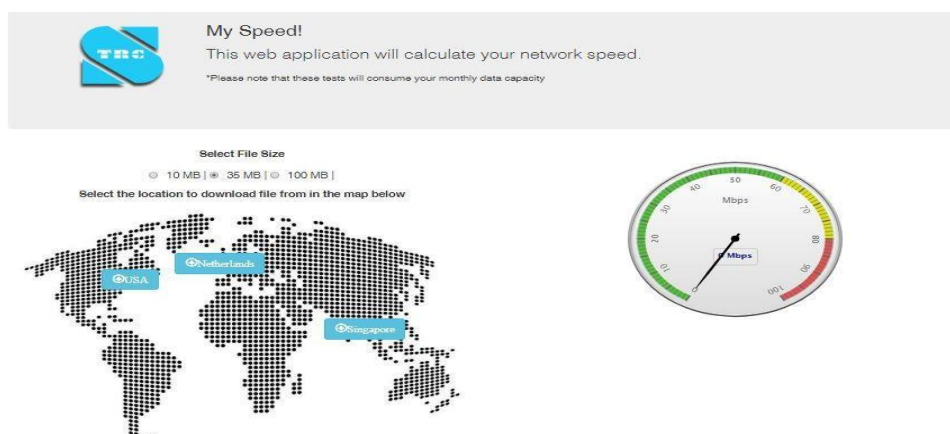


Figure 1: *MySpeed* Test Setup

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

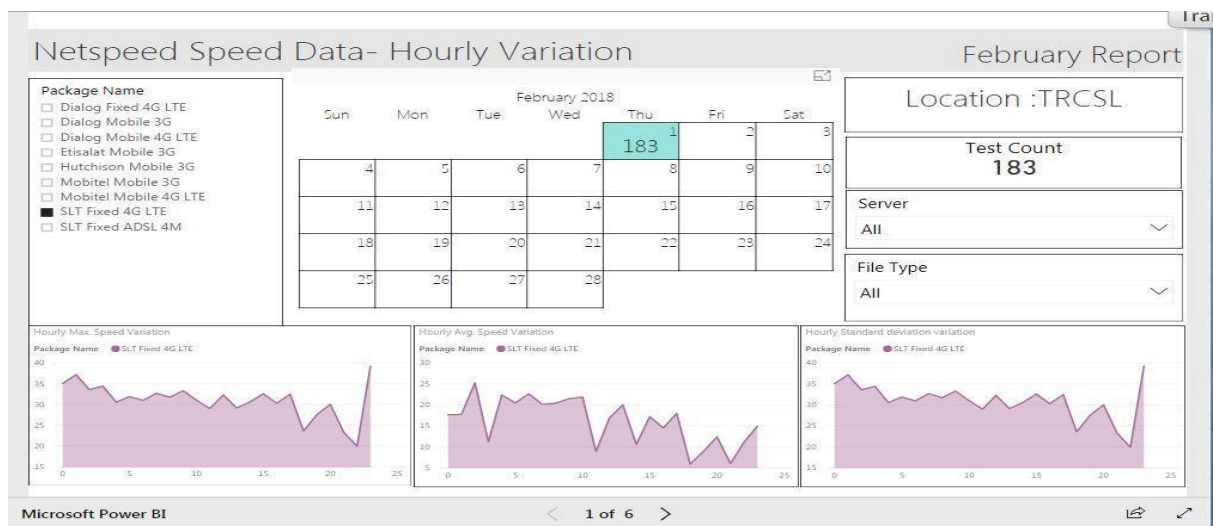


Figure 2: NetSpeed Test Results – Location TRCSL

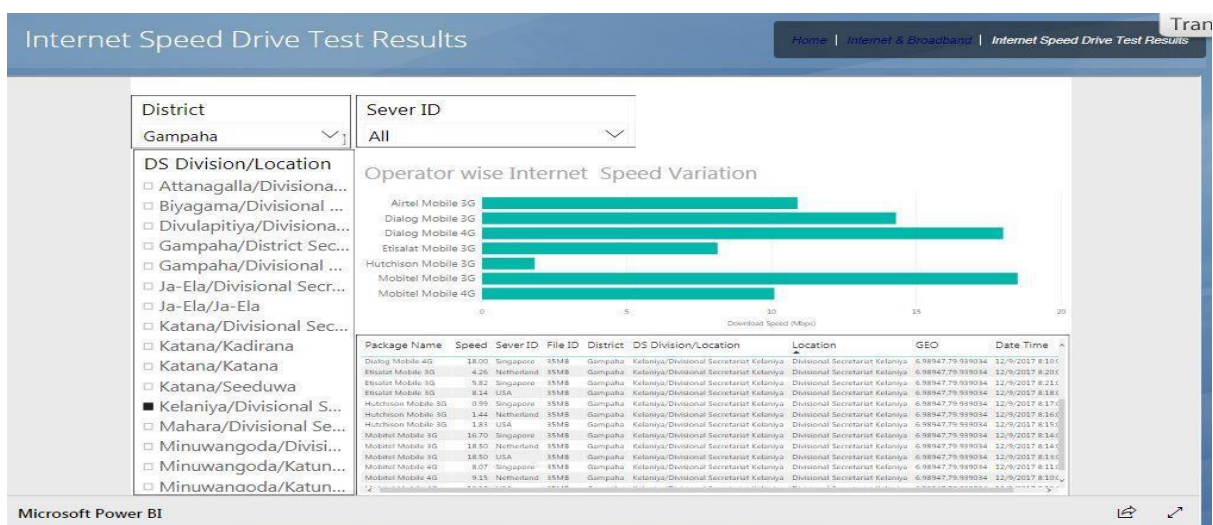


Figure 3: Net Speed Test Results – Outstation

## ICT Awareness Special Project Programme initiatives for SMEs

Telecommunication and Information Society Day (WTIS), celebrated each year on 17 May under a unique theme for each year. In 2016, World Telecommunication and Information Society Day (WTISD-2016) had focus on the theme: “ICT entrepreneurship for social impact”, in accordance with Resolution 68 and as endorsed by ITU Council 2015. ITU has identified that ICT entrepreneurs and start-ups and small to medium-sized enterprises (SMEs) have a particularly relevant role in ensuring economic growth in a sustainable and inclusive manner in the current knowledge economy. Therefore, ITU requested the member countries, specially developing countries, to begin with the activities to support the enterprises to enable and accelerate sustainable development through ICT-enabled solutions and applications. This kind of programmes were implemented in Thailand through the Regulator – National Broadcasting and Telecommunication Commission of Thailand and in Malaysia through Malaysian Communication and Multimedia Commission. During the year 2016, the Compliance Division has initiated the “Girls in ICT” Programme to mark the Girls in ICT initiative of the International Telecommunication Union (ITU) and hence could not initiate another ICT programme for SMEs under WITS 2016. Therefore, the Compliance Division had undertaken to conduct the ICT Awareness Programmes for SMEs in 2017.

### 4.4 CONSUMER RELATION UNIT

As per the Telecommunications Act the TRCSL is vested with the powers to take appropriate action on complaints of subscribers or the public against any service provider. In such situations of the outcome investigations, the Commission directs the operator to remedial actions including financial redress to the concerned parties if necessary.

**Handling correspondence of consumer complaints:** The consumer complaints relating to the telecommunications are forwarded to the relevant stakeholders and follow up actions are taken by the Unit to ensure justifiable solution is offered to the complainant. In the event where the complainant is not satisfied with the solution offered by the service provider, a meeting is arranged with both parties and discuss the issue for an amicable solution.

**Handling request on misplaced mobile phones:** In addition to the above service as part of social obligation, the unit actively engages in the process of finding lost mobile phones. It receives an average of 250 complaints daily. So far approximately 165,000 applications have been accepted by the TRC on lost mobiles. We have been able to assist police stations to recover lost mobile phones during last few years.

**Awareness Programs:** When analyzing consumer complaints, it was observed that the importance of awareness among the general public on use of telephones as well other related issues. Therefore, it is understood that organizing a wide range of awareness programmes will provide effective service to the society. TRCSL strongly believes that the general public should be educated on how the telecommunication is used ethically and it is considered as a social responsibility of the regulator.

1. **Awareness programme for police officers:** In the recent past we have arranged a ONE DAY workshop to officers of police who directly handle crimes especially on telecommunication. During this year two workshops were conducted with the participation of resource persons, officers of TRCSL and service providers. In addition, telecommunication sector related lectures were delivered at the National Police Academy Katana, Kalutara Police Training College, In-service Mirihan Police, Special Task Force Colombo and Sri Lanka Army.
2. **Awareness program for Grama Niladari:** According to our experience general public needs sound knowledge about ethical uses of communication & media. Hence consumer complaint and public awareness unit commenced a series of awareness programmes which are created for Grama Niladari officers who are recognized as the lowest level of administration unit of the country. According to this programme an awareness campaign was conducted at each divisional secretariat for Grama Niladaris, Development Officers and Field officers who are having direct contact and relationship with community. They conveyed important decisions taken at the workshop and submitted feedback to TRCSL through Divisional Secretary. 64 number of divisional secretariats were covered.
3. **Awareness programs for school Principals:** Last year we were able to conduct 04 numbers of such programmes for school Principals.
4. **Newspaper articles:** As part of this awareness programme, approximately 60 numbers of newspaper articles were published.
5. **TV/Radio Programs:** Several TV programmes have been conducted to educate the general public.
6. **Posters and Leaflets:** TRCSL conducted a poster and leaflet campaign to educate general public on ethical use of communication.

**Customer Protection Guideline:** In order to create a customer friendly environment, Consumer Relations Unit is preparing a “Customer Protection Guideline”.

## 4.5 SPECIAL PROJECT DIVISION

Special Projects Division is responsible for implementation of projects of national interest and TRCSL own development projects as per corporate plan of TRCSL.

Implementation of special projects targets areas that comes under the purview of Special Projects Division mainly improvement to telecommunication industry by providing necessary infrastructure facilities, development of TRCSL own infrastructure such as buildings and conduct research projects that enable the introduction of new technologies of telecommunication sector in Sri Lanka and improve the user experience.

Special Projects, Division continued implementation of the Colombo Lotus Tower, Hambantota IT Park projects, TRCSL Head Office New Building as extension to the main building and Kadirana renovation project in the year 2017. The major functions of the Special Projects Division are coordination with main contractors (CEIEC, ALIT and Tudawe Brothers (Pvt) Limited), EXIM bank on loan matters, relevant Government institutions including Treasury, Customs, Inland Revenue Department, Municipal council, Water Board, Ceylon Electricity Board, Urban Development Authority, Sri Lanka Police, Department of Immigration and Emigration and Central Environmental Authority for necessary approvals, service connections, payments and project related developments.

Controlling of projects were carried out through Engineer to the projects, Project Committee, Cabinet Appointed Negotiation Committee, and the Commission of TRCSL. Project Consultancy Unit of University of Moratuwa is the engineer to the Colombo Lotus Tower project and Sri Lanka Land Reclamation and Development Corporation is the engineer to Hamabantota IT Park project.

Special Projects Division represents in all technical matters in above committees and facilitated the committees to conduct meetings in regular basis to enable smooth roll out of projects.

### **Colombo Lotus Tower Project**

Centralized broadcasting tower is a common feature in almost all the developed cities in the world. The main objective of such towers is to support hosting of TV broadcasting, Radio broadcasting and act as a hub station for telecommunication networks.

Good reception of broadcasting signals, with the use of single antenna, from one direction is the key benefit for public and the low capital & operational expenditure due to infrastructure sharing are among key benefits to broadcasters from such development.

Centralized broadcasting towers are always a rich feature in the skyline of the city and help further improve the beauty of the city’s skyline by minimizing building roof top broadcasting towers, which is a problem in the Colombo city.

Centralized broadcasting towers always become a symbol and is mostly located in the heart of the city, the development cost including the land value is substantially high, therefore many attractions such as high elevation viewing decks, restaurants, shopping space are added to enhance the usability of the complex that ensure necessary revenue to justify investment and sustain the operation of tower complex.

### **Main attraction of Colombo Lotus Tower**

- High elevation observation desk for visitors to enjoy panoramic view of Colombo city and suburbs
- Two Banquet Halls – for weddings, social and cooperative functions
- State Guest House to support Banquet Hall operation, accommodations to VIP guests
- Large shopping area and food curts
- Revolving restaurant
- Antenna Mast capable of supports 50 number of Digital Video Broadcasting services, 50 number of FM channels, co-location of broadcasting facilities covering Colombo City and suburbs.
- Large garden space to general public to spend the day.

*Table 11: Summary of Contract - Lotus Project*

Client (investor)	TRCSL
Contractor	CEIEC & ALIT
Type of Contact	Design and Build
Engineer to the Project	Project Consultancy Unit of University of Moratuwa
Contracted Price	USD 104.3 Mn.
Date of Commencement	16th November 2012
Contractual project Completion Date	31st October 2017 (Initial construction period of 912 days + TRCSL granted Extension of Time)
Tentative project completion date committed by main Contractor and Engineer to the Project	31st May 2018



*Table 12: Progress of the Lotus Project*

<b>Description</b>	<b>% Completion</b>
Antenna Mast	100%
Cleaning & Painting of Mast Base	80%
Installation at Tower House	97%
Tower Body Painting	42%
Interior Decoration	50%
Electrical installation tower house	58%
Fire Water at Tower House	17%
Water Supply & Drainage at Tower House	60%
Electrical Installation at Tower base	73%
Water Supply & Drainage at Tower Base	66%
Outdoor Electrical Installation	12%
Tower Base roof	82%
Illumination Tower House, Base and Body	40%
Lift and escalators	50%
Building Management Intelligent System	30%

### **Hambantota IT Park**

Telecommunications Regulatory Commission of Sri Lanka initiated action to establish a Telecommunication Media Center Project (Hambantota IT Park Project) as decided by the Cabinet of Ministers at its meeting held on 04<sup>th</sup> July 2012 based on the Cabinet Paper No 12/0836/501/019 dated 2012-06-14. The Project Feasibility Report for the project was compiled by audit firm, KPMG and Board of Investment of Sri Lanka was the sponsoring agency with the responsibility of finding commercial partners and tenants to make the project commercial profitable on sustainable basis.

Sri Lanka Land Reclamation & Development Corporation (SLLRDC) was appointed as the Engineer to the Project, the construction contract was awarded to M/s Tudawe Brothers (Pvt) Limited after adhering to the approved tender procedure. TRCSL handed over the site to M/S Tudawe Borthers on 11<sup>th</sup> July 2014 and the construction work started on 11<sup>th</sup> August 2016. The construction period is 730 days.

The contractor had completed the superstructure of the building up to the 3<sup>rd</sup> floor by June 2015 as scheduled. However, TRCSL, BOI and the Presidential Secretariat observed that the other development projects planned in the area have not been commenced and this factor will adversely affect the revenue generating capability of the IT Park.

The Commission of TRCSL, having examined the facts related to the captioned project decided to conclude the constructions of the said building at 3rd floor level.

Whilst SLLRDC as the engineering Consultant to this project was attending to the restructuring of the project, the contract between TRCSL and M/s Tudawe Brothers (Pvt) Ltd expired. Consequently, TRCSL had no alternative other than terminating this contract with the M/s Tudawe Brother (Pvt) Ltd on the recommendation of SLLRDC being the Engineer to the Project.

### **Current Status of the IT Park Project as at 31<sup>st</sup> Dec 2017**

The contractor handed over the site to TRCSL on 26<sup>th</sup> September 2016 and TRCSL has been maintaining the site since then at a monthly cost of approximately Rs. 300,000 per month mainly for security & electricity.

As per a directive given by Cabinet Committee on Economic Management, Telecommunications Regulatory Commission of Sri Lanka is currently exploring the possibility to proceed and develop this project on a Public- Private Partnership basis. TRCSL has already invited proposals from interested companies through a newspaper advertisement for this purpose. TRCSL received proposal from Toppan Forms (Colombo) Limited to take over the above premises on a long lease of ten years, with the building in the same condition.

### **Colombo Head Office Extension Building**

Management of TRCSL proposed five stored new building for the TRCSL Head office and the Commission of TRCSL approved the proposal. Project Consultant Unit of University of Moratuwa (PCU) appointed as a consultant for the above project and PCU was requested to design a building suitable for this requirement. PCU has submitted an estimate of Rs. 344 Million (including a consultancy fee of 5% of the total construction estimate cost) for the proposed construction. Management of TRCSL decided to construct steel fabricated five storied building adjoining to existing main building.

Under this project the bridges which interconnect main building and administration building will be redesigned to provide esthetic beauty, more comfort and safety. Telecommunications Regulatory Commission of Sri Lanka wishes to complete this project by the end of year 2018

## **New Building Project Goals Objectives & Out Comes**

Following are the anticipated goals and objectives of development projects.

- I. Provide better and more efficient facilities to general public, operators and broadcasters who are regularly visiting TRCSL to obtain regulatory services.
- II. Provide infrastructure requirement for the staff in TRCSL Head office to enhance productivity and efficiency.
- III. Improving facilities for meetings and seminars within the premises with the objective increasing efficiency and cost saving.

### **Followings are the expected outcomes through this development project: -**

- a) Effective re-organization of divisions to provide better service for the public.
- b) Providing a better venue for public awareness programs, seminars, and workshops etc.
- c) Proper utilization of TRCSL owned land properties for national interest.

### **Progress of the Project.**

- Process for obtaining development permit/s is in progress.
- Preliminary Design was finalized

## **Kadirana Rehabilitation and Renovation Project**

Kadirana Frequency Monitoring Station has been equipped with monitoring and direction-finding devices and systems to meet UHF/VHF radio frequency analysis requirements at regional level as well as HF (High Frequency) monitoring and direction finding at national and international level. This station has been registered with the ITU for HF monitoring and direction finding.

Kadirana Frequency Monitoring Station was upgraded to a higher standard monitoring station in early years of the 2000's, by commissioning equipment and systems supplied by Rohde and Schwarz under a World Bank funded project. One Engineer and two Telecommunications Officers together with a team of administrative staff were stationed at Kadirana along with a Mobile Frequency Monitoring Surveillance Vehicle (MFMSV) and a Double Cab for official works to function Kadirana as an independent fully equipped regional monitoring station. Few years later, authorities in the head office were compelled to call back the staff deployed in this station along with assigned vehicles, due to urgent staff requirements at the Head Office.

The material and monitoring equipment procured under the world bank funded project in the beginning of 2000's gradually got outdated over the past decade. The land was encroached by people and the management of TRCSL decided to limit monitoring station boundaries to remaining block of land (About 53 acres). Accordingly, a parapet wall was constructed to secure remaining piece of the land without completion at two openings reserved for storm water channel. Part of the parapet wall is nearing collapse and villages has damaged it in few places to provide openings for flowing rain water.

The equipment commissioned under the world bank funded project except High Frequency Direction Finding (HFDF) system, is still in use, despite the lapse of its usable period, incompatibility with new technologies and unavailability of modern monitoring features. Meanwhile HFDF system was replaced in the year 2015 as a matter of priority, due to its crucial national and international significance.

The building and allied amenities which had been neglected over the past decade have to be renovated and refurbished. TRCSL has planned to execute a project in an island wide basis to extended monitoring facilities to rest of the key geographical areas. Kadirana Frequency Monitoring Station will be one of the Regional Office.

TRCSL requested Project Consultancy Unit of University of Moratuwa to submit a bidding document, Engineer's estimate, design and drawings for rehabilitation and refurbishment of Monitoring Station at Kadirana.

TRCSL expected to establish a Regional Office at the premises of Kadirana frequency monitoring station with a team of technical, administrative, and supporting staff. Therefore, it is necessary to develop infrastructure to provide suitable facilities required for a permanent regional office taking in to consideration of the staff accommodation facilities as well. As a significant portion of the premises of Kadirana frequency monitoring station has already been encroached by various people, it is essential to take effective steps to rescue rest of the land from further encroachments. As such it is required to complete, strengthen parapet wall, and install security posts. In this context, following renovations and constructions are proposed to fulfil TRCSL's future goals: -

- i. Refurbishment of existing security amenities
- ii. Refurbishment of existing archives
- iii. Removal of unwanted dilapidated buildings
- iv. Refurbishment of existing bachelor's quarters
- v. Refurbishment of existing monitoring station building
- vi. Complete parapet wall and construct required bridges
- vii. Construction of a new office building

- viii. Setting up of security posts (Internal Roads, New Entrance Gate, Walking Path around the site for security purposes)
- ix. Refurbishment of overhead water tank

These requirements were directed to the University of Moratuwa for the preparation of cost estimates. After field visits, PCU of university of Moratuwa has submitted building plans, bidding document and the engineer's estimate for the project amounting to Rupees 186,968,098.00 (Hundred and Eighty-Six Million and Nine Hundred and Sixty-Eight Thousand and Ninety-Eight Rupees) for renovations and constructions detail in 4.I to 4.X above. This estimate includes 10% contingencies and contractor's profit and overhead margins.

Detailed design and BOQ for entrance gate, Internal roads, walking path around the site are yet to be received. But estimates have been received. Professor Samitha Manawadu has informed that his plan is to submit these documents directly to Technical Evaluation Committee for reviewing.

Following are the anticipated goals and objectives of development projects.

- i. Provide infrastructure requirement for the staff expected to be deployed in Kadirana regional office.
- ii. Improve the security of the site.
- iii. Provide safe space for monitoring equipment.
- iv. Provide better and more efficient regulatory services through this regional office reducing the present centralized work load of TRCSL head Office. "Proposed Kadirana Office will be a convenient place for passengers who need TRCSL's clearance letter for their telecommunication equipment importation to the island through Katunayake Airport and those who engaged in finishing in Negambo and surrounding areas to get TRCSL's frequency licenses".
- v. Provide a venue for national / international meeting and seminars.
- vi. Protect the land from further encroachments.

**Following are expected outcomes through this development project: -**

- a. Effective decentralized service for the public through a regional office.
- b. Engagement in interference and regular monitoring activities at regional level, facilitating enforcement of licensing conditions more effectively.
- c. Increasing capacity to identify illegal frequency users.
- d. Providing a better venue for public awareness programs, seminars, and workshops etc.
- e. Proper utilization of TRCSL owned land properties for national interest.

## **Colombo Leisure Park**

The proper development of neighborhood is critically important for the Colombo Lotus Tower complex to maximize its benefits to all stakeholders on long term basis. The neighborhood of the Colombo Lotus Tower Complex, at the moment, remains undeveloped presenting a unique opportunity for TRCSL to work with relevant government organizations specially with Urban Development Authority (UDA) to jointly develop a master plan to develop the neighborhood of the Colombo Lotus Tower Complex in such a way that the entire area becomes public attraction during next 75 years. Any haphazard development in the neighborhood would severely impact long term success of the Lotus Tower Complex.

TRCSL has taken an initiative to develop adjoining land into a multifunctional vehicle park complex along with recreational facilities. The Cabinet of Ministers has already approved land allocation and UDA is entrusted to acquire & transfer the land.

The next task of TRCSL in this aspect is to procure services from a professional entity, through transparent & standard procurement process, to conduct a proper business & financial feasibility study & submit a report the to Commission of TRCSL proposing the best way forward that gives best returns to the country.

## **4.6 COMPETITION DIVISION**

The competition division handles regulatory activities for the purpose of providing an efficient, fully fledged telecommunication service that fulfills the interest of consumers as well as operators. While maintaining fair charges and quality service this division regulates tariff matters, interconnection services, publishes industry information analyses operator performance and provide necessary advice to the parties concerned. Providing telecommunication facilities to underserved areas also one aspect of this division. The telecommunication levy, international telecommunication levy and Cess are collected by this division. Foreign experts on evolving telecommunication technology who provide new services are being encouraged to visit this country and visas of such professionals are being processed by this division.

### **Following are the functions of the Competition Division**

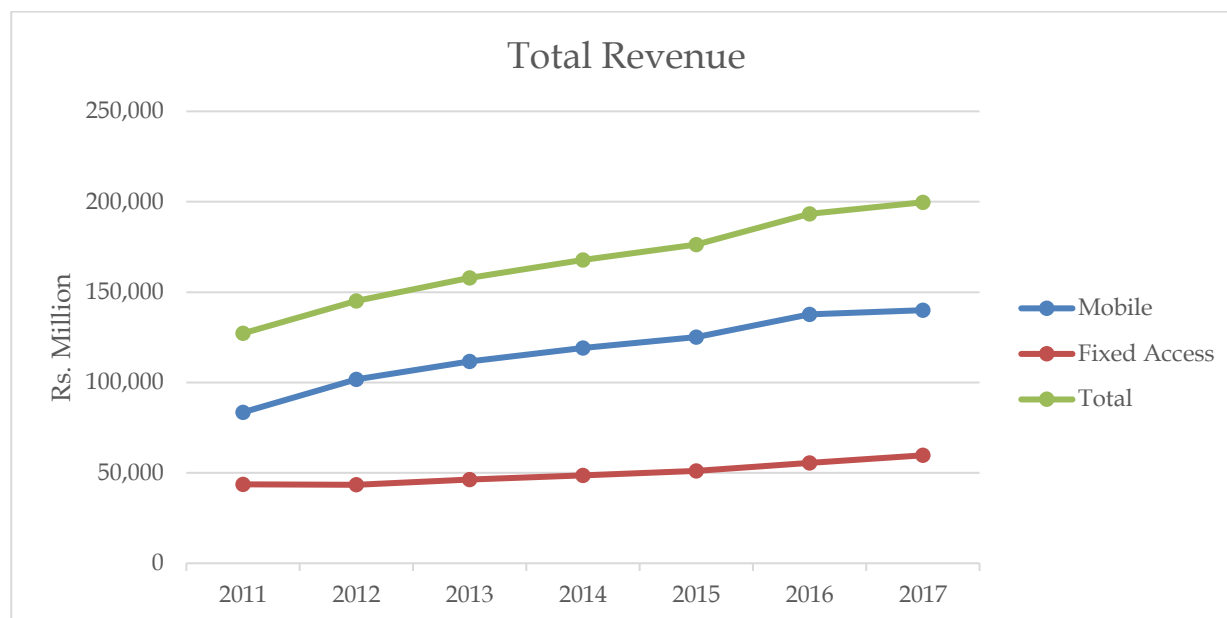
- Analyze tariffs, formulate cost based tariffs, and examine proposals for new tariffs.
- Monitor trends of financial and operational performance of operators through analysis.
- Perform the analysis of the sector.

- Process commercial terms of interconnection and inter-operator interconnection of arrangements for approvals.
- Recommend programs for ICT deployment in rural areas to the commission.
- Make proposal for the use of economic incentives to expedite rural roll out.
- Collect and analyze statistical information of the industry.
- Collection of taxes and levies.
- Processing visas of foreign experts who involve in telecommunication related projects in Sri Lanka.

**The Total Industry Revenue:** The total industry revenue for the year 2017 was Rs.209 billion as depicts in the following charts. 67% of the revenue was from mobile operators and 29% revenue was from fixed operators. The rest of 4% was from others.

*Table 13: Total industry revenue of mobile and fixed access operators 2011-2017(Rs. Million)*

Category	2012	2013	2014	2015	2016	2017	% change 2012-2013	% change 2013-2014	% change 2014-2015	% change 2015-2016	% change 2016-2017
<b>Mobile</b>	101,704	111,586	119,144	125,120	137,770	139,990	10%	7%	5%	10%	2%
<b>Fixed Access</b>	43,403	46,318	48,652	51,138	55,591	59,718	7%	5%	5%	9%	7%
<b>Total</b>	<b>145,107</b>	<b>157,904</b>	<b>167,796</b>	<b>176,258</b>	<b>193,361</b>	<b>199,708</b>	<b>9%</b>	<b>6%</b>	<b>5%</b>	<b>10%</b>	<b>3%</b>



*Chart 1: Total industry revenue of mobile and fixed access operators 2011-2017*

The subscriber base of mobile and fixed access showed an increase when compared with previous years as shown in the table below.

*Table 14: Number of mobile and fixed access subscriber bases for the period of 2012-2017*

Category	2011	2012	2013	2014	2015	2016	2017
Mobile	83,530	101,704	111,586	119,144	125,120	137,770	139,990
Fixed Access	43,660	43,403	46,318	48,652	51,138	55,591	59,718
<b>Total</b>	<b>127,190</b>	<b>145,107</b>	<b>157,904</b>	<b>167,796</b>	<b>176,258</b>	<b>193,361</b>	<b>199,708</b>

Category	% change 2011-2012	% change 2012-2013	% change 2013-2014	% change 2014-2015	% change 2015-2016	% change 2016-2017
Mobile	22%	10%	7%	5%	10%	2%
Fixed Access	-1%	7%	5%	5%	9%	7%
<b>Total</b>	<b>14%</b>	<b>9%</b>	<b>6%</b>	<b>5%</b>	<b>10%</b>	<b>3%</b>

**Average Revenue Per User (ARPU):** The ARPU in respect of mobile operator category was Rs. 4,977 which was 5% decline when compared with year 2016. When it comes to fixed access operators category it was Rs.22,911 which was 6% increase. The following table shows the statistic for last 5 years period.

*Table 15: The ARPU of Mobile and Fixed Access Operator for the period 2013-2017*

Category	2013	2014	2015	2016	2017	% change 2013-2014	% change 2014-2015	% change 2015-2016	% change 2016-2017
Mobile	5,457	5,386	5,131	5,258	4,977	-1%	-5%	2%	-5%
Fixed Access	17,112	17,954	19,659	21,691	22,911	5%	9%	10%	6%

**Net Profit/loss after tax:** There was a net loss of Rs.1, 960 million after tax in respect of mobile operations but in respect of fixed access operations, there was a net profit of Rs. 1,577. The following table shows the figures of last 7 years.

*Table 16: Net Profit/(Loss) After Tax 2011-2017 (Rs. Million)*

Category	2011	2012	2013	2014	2015	2016	2017
Mobile	(1,017)	(1,970)	(143)	2,947	(3,552)	2,747	2,437
Fixed Access	1,285	3,304	2,964	1,723	898	688	1,897
<b>Total</b>	<b>268</b>	<b>1,334</b>	<b>2,821</b>	<b>4,670</b>	<b>(2,654)</b>	<b>3,435</b>	<b>540</b>

**Investment:** Investment of mobile operators was Rs. 36,119 million which was 36% increase when compared with the previous year. In the case of fixed access operators, the investment was Rs. 32,035 million and the decrease was 43% when compared with the past year. The following table shows the statistics.



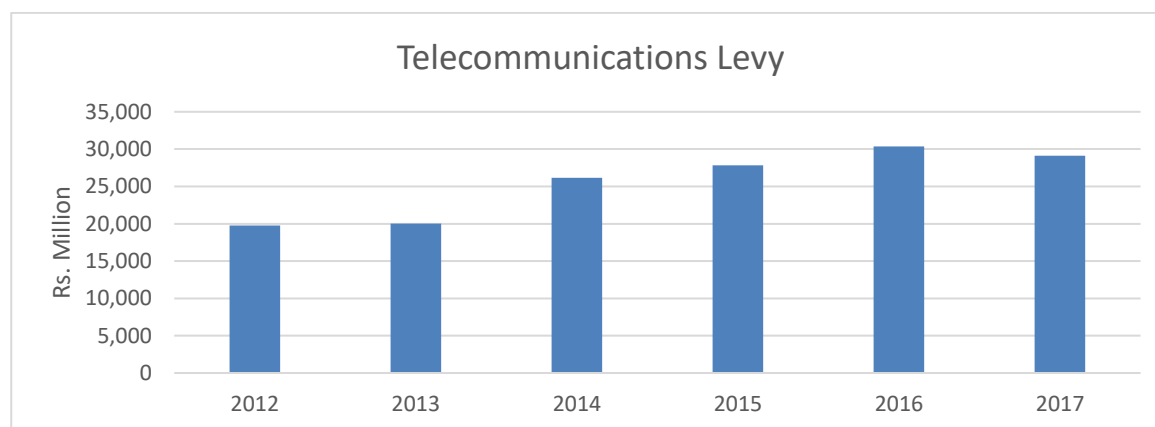
*Table 17: Mobile and Fixed Access Operators Investments 2011-2017(Rs. Millions)*

Category	2010	2011	2012	2013	2014	2015	2016	2017
Mobile	24,387	41,999	29,508	49,509	23,444	22,703	27,121	36,151
Fixed Access	9,646	14,055	20,610	19,052	21,640	26,245	58,963	42,112
<b>Total</b>	<b>34,033</b>	<b>56,054</b>	<b>50,118</b>	<b>68,561</b>	<b>45,085</b>	<b>48,948</b>	<b>86,084</b>	<b>78,263</b>

**Telecommunication levy (TL):** At the time of introducing telecommunication levy in 2011, it was 20% on the value of supply. For internet services, the levy was 10% which was a concessionary rate to promote Broadband services. In 2014 the TL was increased up to 25% but TL of internet services remained unchanged. And in 2017 this levy was abolished, and it lead to decrease the income on internet services.

*Table 18: Telecommunication levy from 2012 to 2017(Rs. Millions)*

Year	2012	2013	2014	2015	2016	2017
TL	17,263	18,450	26,055	27,859	30,346	29,133

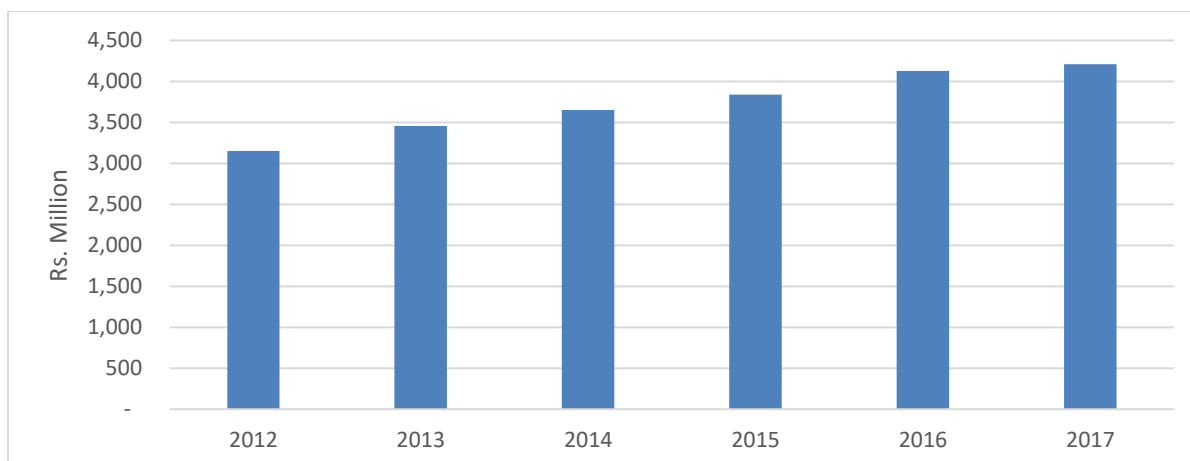


*Chart 2: Telecommunication levy from 2012 to 2017*

**Cess:** A cess was also in place as per the telecommunication act and the collections were as follows for the last six years.

*Table 19: Cess 2012-2017 (Rs. Millions.)*

Year	2012	2013	2014	2015	2016	2017
Total Cess	3,515	3,500	3,652	3,841	4,067	4,212



*Chart 3: Cess Collection (2012-2017)*

**International Telecommunication Operators Levy (ITOL):** As Telecommunication Development Charges (TDC), every international telecommunication operator has to pay a levy called Telecommunication Operator Levy for incoming and outgoing international calls whether it is originated or terminated within Sri Lanka. Due to development of new telecommunication technology, customers prefer international calls through internet using Over -The-Top (OTT) applications, such as Viber, What's App, Messenger and Skype services etc. This transformation leads to drop international voice traffic and as a result the TDC levy collection dropped to a considerable level.

*Table 20: TDC Levy Collection*

Year	2015	2016	2017
TDC collection (Rs Million)	5,861	8,689	6,202

**Outgoing Local Access charges (OLAC):** Every outgoing call is levied at the rate of Rs.3.00 per minute from international operators and the levy collected during last three years is given below.

*Table 21: OLAC Levy Collection*

Year	2015	2016	2017
OLAC collection (Rs Million)	1,529	1,125	729

**Gamata Sannivedaya Project :** Taking informed decisions in citizen daily lives will be completed once the information structure reaches all locations and people throughout the country. And the access to communication services should be reasonable and affordable since the user population is different in gender, age, ethnicity, linguistic and so on. The current staff- of -the -art communication technologies with higher transmits speed should be available for the purpose subject to revise and monitor periodically.

In this manner, TRCSL initiated a project in 2008 to promote operators to expand their telecommunication infrastructure in unserved and underserved areas. TRCSL conducted a study in 2017 as “Gamata Sannivedaya” to further identify unserved and underserved areas in the country and a pilot survey was conducted in Polonnaruwa and Kaluthara districts and the information collected are given below.

*Table 22: Gamata Sannivedanaya survey 2017 (Polonnaruwa & Kaluthara District)*

District	Number of Divisional Secretariat	Number of GN	Responded Number of GN	Unserved GN Divisions	Under served GN Divisions
Kalutara	14	789	697	6	60
Polonnaruwa	07	295	200	4	26
<b>Total</b>	<b>21</b>	<b>1084</b>	<b>897</b>	<b>10</b>	<b>86</b>

Actions have been taken by TRCSL to serve underserved and unserved areas identified by the pilot project in these two areas.

**Telecommunication /ICT Waste Material Management Project:** As a regulatory matter of TRCSL, the commission considers developing strategies and guidelines to encourage industry players and public in proper disposal of or reuse of telecommunication/ICT waste materials. In this manner, TRCSL has already arranged collection bins at TRCSL premises and requested all operators too to place collection bins at their customer service centers all over the island. In this matter, it is request to collect waste fixed telephones, mobile phones, batteries, and other waste equipment. At the meeting of ITU-D Study Group 2 held in Geneva TRCSL actively contributed its stance on disposal or reuse of waste telecommunication /ICT equipment. An awareness program for school was launched by the commission to educate children on this matter.

**Tariff Regulations:** As per the telecommunication act in force of TRCSL has been vested with authority to approve tariff plans of operators, subject to government policies, rules, guidelines and regulations. In this manner, there are two types of tariffs plans called “Long Term Basis” and “Promotional Basis”. The long term basis tariff plans last until the commission determines or revision is being introduced. For the purpose of testing the market situation, operators can submit a temporary tariff plan and commission approves such plans for a period of three months. Once the operator is happy with the temporary tariff plans to be continued, then it becomes a long term basis tariff plan. A total number of 21 tariff plans approved in 2017, and three of them were for long term basis and eighteen plans were for promotional basis. In 2017, floor rate of voice calls and SMS remained unchanged.

**Recommendation of visa application:** Considering the rapid changes in the telecommunication industry, operators strive to upgrade their services and networks according to the new technology. In this manner operators hire foreign experts and professionals and such visa applications are being recommended and forwarded to Presidential secretary for approvals. Total Number of 395 visa applications of such nature were processed by the division in 2017.

**Handling Industry Information:** The collecting industry data and information are also under the purview of this division. Remitting, and circulating them to government institutions, concerned parties and international organizations are also attended by this division.

#### 4.7 POLICY AND INTERNATIONAL RELATIONS DIVISION

Policy & International Relations division functions Policy advice on matters relating to the telecommunication sector as well as International Relations activities such as; Co-ordinating the Commission's participation in the International Telecommunications Union (ITU), Asia Pacific Telecommunity (APT), South Asian Association for Regional Co-operation (SAARC) Commonwealth telecommunications Organization(CTO) etc.

**National Broadband Policy for Sri Lanka (ITU Expert Assistance Program):** TRCSL has identified the necessity of inter-ministerial and industry wide collaboration with all stakeholders including service operators, connectivity providers, content providers and equipment providers working together to prepare a Broadband Plan for Sri Lanka to encourage innovations in technologies for a better-connected Sri Lanka.

A Committee was appointed to study the requirement of a forward looking National Broadband Policy in Sri Lanka. The foundation for the preparation of the "National Broadband Plan" and a "Strategic Action Plan" was laid under the guidance of ITU experts. A draft Broadband Plan was developed with stakeholder's consultations by the ITU experts.

**Review of Licensing Framework in Sri Lanka (ITU expert assistance programme):** TRCSL requested ITU for assistance to develop a new licensing framework in keeping with the current international trends. The licenced operators provided their inputs. ITU experts conducted a workshop for stakeholders based on operator inputs. The report was submitted by the ITU experts.

**World Telecommunication and Information Society Day 2017:** The "World Telecommunication and Information Society Day" (WTISD) falls every year on 17thMay. The theme for WTISD-17, "Big Data for Big Impact," focuses on the power

of Big Data for development and aims to explore how to turn imperfect, complex, often unstructured data into actionable information in a development context.

ITU invited member states to celebrate its 152nd anniversary and publish of the theme of the WTISD among the Sri Lanka community on this day. The event was celebrated on 17th May 2017 at the Telecommunications Regulatory Commission of Sri Lanka. All staff of the TRCSL staff participated for the event. The event consisted a video on the history of the International Telecommunication Union, announcing the messages of the President, the Prime Minister and Mr. Houlin Zhao, Secretary General of the International Telecommunication Union and a video on Big Data and ITU videos on projects and the ITU-R.

**ITU-TRCSL Training on ICTs for promoting Innovation & Entrepreneurship:** The ITU-TRCSL Training on “ICTs for promoting Innovation & Entrepreneurship” was jointly initiated by TRCSL, and ITU in Colombo from 12th to 15th September 2017.

The training was aimed to build capacity under "Train the trainers" initiative who will conduct similar training courses in provincial areas of Sri Lanka. Forty students were targeted for the training as the audience. Senehasa Education Resource Research and Information Center, University of Colombo School of Computing, Ministry of National Policies and Economic Affairs (Entrepreneurship Division), Department of Agriculture, Institutions under the Ministry of Education and TRCSL staff attended the training program.

The main objectives of the training course were to: Increase practical entrepreneurial skills among students that will allow them to pursue their entrepreneurial aspirations and to start and grow their businesses; train the trainers who will introduce the course on provincial level; and analyze Case studies on different countries of Asia-Pacific region, so that international best practices can be considered.

Mr. Sameer Sharma, ITU Senior Advisor, ITU was the contact person of the program as well as Mr. Shahryar Muhammad Khan, ITU Expert, Ms. Achia Khaleda Nila, ITU Expert, Mr. Peter Argent, ITU Expert were contributed their knowledge as the resource persons.

[https://www.itu.int/en/ITU-D/RegionalPresence/AsiaPacific/Pages/Events/2017/SepPIE/presentations\\_PIE.aspx](https://www.itu.int/en/ITU-D/RegionalPresence/AsiaPacific/Pages/Events/2017/SepPIE/presentations_PIE.aspx)

**ITU-FAO-TRCSL Training on Innovation & Application Development for E-agriculture:** The Training on Innovation & Application Development for E-agriculture was held from 11th to 15th December 2017 at the National Agriculture Information & Communication Centre, Department of Agriculture, Peradeniya, Sri Lanka. This program was jointly organized by the ITU, TRCSL, Ministry of Agriculture and FAO.

This training is second one, after the first training which was carried out from 12-15 September 2017 in Colombo, Sri Lanka.

The main objectives of the training course were to: Increase practical entrepreneurial skills among farmers that will allow them to pursue their entrepreneurial aspirations and to start and grow their businesses; Train the trainers who will introduce the course on provincial level; and Analyze Case studies on different countries of Asia-Pacific region, so that international best practices can be considered.

This training course was tailor-made for the Ministry of Agriculture. The first two days was a general audience whereas the last three days was meant for programmers who have knowledge of Object Oriented Programming languages. A New mobile application for the agriculture field was developed at the event and It was published at the closing ceremony of the event.

Mr. Sameer Sharma, ITU Senior Advisor Mr. Shahryar Muhammad Khan, ITU Expert, Mr. Peter Argent, ITU Expert were the resource persons at the training program. For details refer; <https://www.doa.gov.lk/ICC/index.php/en/2016-05-09-08-54-3/78-itu-fao-doa-trcsl-training-on-innovation-application-development-for-e-agriculture>

**NIA/ITU/TRCSL International ICT Volunteers Program (IIV) 2017:** The “NIA, ITU, TRCSL International IT Volunteers (IIV) Program 2017” was coordinated by TRCSL in collaboration with the International Telecommunications Union and the National Information Agency (NIA) of Korea with the intention of enhancing the ICT knowledge and skills of persons with special needs in Sri Lanka.

Three volunteer teams comprising of twelve Korean undergraduates arrived in Sri Lanka to conduct ICT training programmes at three education centers from 07th July to 16th August 2017. The IIVs trained students with special needs and the teachers of Special Education units in Western Province at We/Jaya/Wijerama Maha Vidyalaya Computer Training Centre in Colombo District, We/Ka/Ma/Meril Kariyawasam Central College, Computer Training Centre, Kalutara District and We/Ng/Jeyaraj Fernandopulle Maha Vidyalaya in Gampaha District. The NIA-ITU-TRCSL International ICT Volunteer (IIV) program was scheduled as a human resource development program to arrange ICT training for the students with special needs and teachers of special education units.

The IIV teams “ITI”, “SSUGAR” and “POCARI” were dispatched to the Colombo, Gampaha and Kalutara districts. The syllabus of the IIV ICT program included topics such as Microsoft Office, Android Development, Adobe Photoshop, Google Apps, Internet & email, Special software for students with special education needs and introduction to various aspects of Korean language, music and culture.

**The 17th APT Policy and Regulatory Forum (PRF-17):** The 17th APT Policy and Regulatory Forum (PRF-17) was organized by the Asia-Pacific Telecommunity (APT) and hosted by the Telecommunications Regulatory Commission of Sri Lanka (TRCSL) was held from 24th to 26th July at Hotel Taj Samudra, Colombo, Sri Lanka.

H. E. the President of Sri Lanka Maithripala Sirisena was the guest of honour. The welcome address was delivered by Ms. Areewan Haorangsi, Secretary General, Asia-Pacific Telecommunity. The keynote address of Mr. Yasuhiko Taniwaki, Chairman of PRF was delivered by Mr. Seiji Takagi, Director-General for International Affairs, MIC, Japan. Mr. Austin Fernando, Secretary to H.E. the President/Chairman of the TRCSL delivered the inaugural address.

The forum was attended by over 150 foreign and local participants comprising of APT members, associate members, affiliate members, international organizations and other related organizations. The overall objective of the Policy and Regulatory Forum 2017 is to bring the telecommunications and ICT policy makers and regulators from the region together to a common platform for a dialogue on issues faced by as a result of the changes taking place in the telecom and ICT sectors, and to provide an opportunity to share and address key issues of concern to the APT members.

**The Second Meeting of the Correspondence Group on the Strategic Plan of the Asia Pacific Telecommunity for 2018-2020 (CGSP-2):** The meeting was held on 27th July 2017 in Colombo Sri Lanka and preceded by the 17th APT Policy and Regulatory Forum (PRF-17) held from 24th to 26th July 2017 at the same venue. The event was hosted by the Telecommunications Regulatory Commission of Sri Lanka (TRCSL).

The scope of work of Correspondence Group on the Strategic Plan of the Asia Pacific Community 2018-2020 (CGSP) included; To plan and coordinate the strategic plan of the APT for the period of 2018-2020. To develop of a draft strategic plan 2018-2020. To finalize the draft strategic plan and report the outcomes to the 14th session of the general Assembly of the APT (GA-14). The objective of CGSP-2 was to discuss the feedback from APT members on the 1st draft of SP 2018-2020 and to consider any further inputs from the members.

Forty-five foreign and local participants attended the meeting comprising members, affiliate members and the APT secretariat.

**APT Local Training Course on IPV4/IPV6 BGP Routing for operator in Sri Lanka:** APT Local Training Course on IPV4/IPV6 BGP Routing for operator in Sri Lanka was organized by the Asia Pacific Telecommunity (APT) and the Asia Pacific Network Information Center (APNIC). The training program was held from 06th to 10th November 2017 at the Telecommunications Regulatory Commission of Sri Lanka.

The course included considerable practical work based on IPv4 as well as IPv6 and Cisco IOS JunOS and /or Huawei router configuration commands. Targeted group was technical staff who are now building or operating a wide area service provider network with international and/or multi provider connectivity or considering participation at an internet exchange point. The course was instructed by Ms. Bei (Jessica) Wei and Mr. Anurag Bhatia from APNIC and forty participants followed the training course.

**ITU World Telecommunication /ICT Indicators Questionnaire Survey:** Upon the ITU’s request, a survey on World Telecommunication/ICT indicators was conducted with the support of the other divisions of TRCSL and stakeholders. The objective of the survey was to collect/update global data for the calculation of ICT development index as the analysis on the state of global ICT development is extensively relied upon by governments, international organizations, development banks and private sector analysts worldwide. The provided data was used to update the World Telecommunication/ICT indicators database, ITU’s statistical publications and World Bank publications etc.

**Annual subscriptions of the International Organizations:** Sri Lanka is a member of the International Telecommunications Union (ITU), Asia Pacific Telecommunity (APT), South Asian Telecommunications Regulators Council (SATRC), and Commonwealth Telecommunication Organization (CTO) and South Asian Federation for Infrastructure Regulation (SAFIR) etc. Subscriptions are paid on annual basis to continue the membership of these institutions. Following International Telecommunications organizations membership payments were done the TRCSL.

*Table 23: Annual subscriptions of the International Organizations-2017(LKR)*

ITU	APT	CTO	SATRC -EBC Action Plan IV
24,727,919.20 March 2017	23,70,834.86 March 2017	5,000,835.94 April 2017	2,315,429.50 April 2017

With assistance of these institutions TRCSL received technical assistance, expert assistance, project programs, and fellowship opportunities for capacity building in the field of telecommunication/Information Communication Technologies.

TRCSL also obtained speaker slots, representing and make contribution to the international institutions organized workshops and forums. With the assistance of these international institutions national meetings, stakeholder participation program and hosting events were conducted. TRCSL contributed at the forum, study group and online questionnaire activities.



With assistance of these institutions TRCSL annually receives technical assistance, international training programs, project programs, study group meetings and fellowship opportunities for capacity building development in the field of telecommunication/Information Communication Technologies. Representing the GoSL, TRCSL makes its contribution at workshops, study groups, forums and national level meetings, local training, which are organized by the international institutions.

**Telecommunication Regulatory Survey 2017:** TRCSL collected data for the ITU regulatory survey. The survey was conducted with assistance of stake holders and submitted to the International Telecommunication Union during the time limits.

**Visits of Foreign Delegates:** The division coordinated the visits of foreign delegates who arrived in Sri Lanka for telecommunication regulatory activities such as training and expert assistance programmes, events and courtesy visits.

#### 4.8 LICENCE MANAGEMENT DIVISION

It is a requirement to have a license for any person establishing or operating telecommunication system or providing telecommunication service in Sri Lanka as per the telecommunication act no.25 of 1991 as amended by act No.27 of 1996. In this manner, TRCSL has adopted a licensing approach that differentiates between the nature of the operators whether facility based or non-facility-based type of operations.

**Facility based license:** This category of license needs usage of natural resources (frequency spectrum and/or right of way, numbering) and that refers to the establishment and operation of any form of public telecommunication network information systems in providing telecommunication services.

**Non-Facility based Licenses:** Non-Facility based means operators who intend to lease telecommunication network elements (transmission capacity and switching) from any individual type operators in order to provide their own telecommunication services or resell the telecommunication services of individual license to third parties or provide value added services.

**License Categories:** The individual licenses include fixed telecommunication networks and service. Under this category allowed to establishment of a fixed telecommunication network or network elements including fixed and wireless access network with international gate way facilities and Internet Service Provider (ISP) services, value added services or any ancillary services.

**Mobile telecommunication network services:** This includes the establishment of a land-based mobile telecommunication networks, international public mobile telecommunication services, international roaming services, trucking services, value added services, whole sale services, transmission and any other ancillary services.

**Licensing procedure at TRCSL:** The applications should be in accordance with the section 17 of the act, and licensing guide lines and procedures of 2006 adopted by TRCSL. In granting licenses, TRCSL considers open fair and transparent bidding procedure.

- Parties Interested to apply for a license under section 17 of the Act should submit their proposal to TRCSL in accordance with the requirement outlined in the Licensing Guidelines and Procedures of 2006. In granting licenses, TRCSL conducts an open, fair and transparent public competitive bidding process which is more fully described in the licensing guidelines and procedures of 2006.
- TRCSL does not pre determine the number of licenses to be issued. However, TRCSL due to public interest may limit the number of licenses available for certain services when natural and/or limited resources constraints.
- The licensee shall be a company incorporated in Sri Lanka.
- Individual licenses are issued on a non-exclusive basis by the Minister in charge of telecommunications upon the recommendations of TRCSL.
- TRCSL will evaluate a license application against the licensing guidelines and procedures of 2006.
- In line with technology- neutral approach, applicants are free to select the most appropriate technology for their proposed operations, based on their own commercial decisions, Subject to restrictions imposed by the license conditions and public interest concerns, if any arises. Once the license is granted however, licensees will be required to seek TRCSL's prior Approval for any subsequent changes to their networks and service offerings.
- Arising from scarcity of radio frequency spectrum, operators who intend to deploy wireless technology solutions will be assigned spectrum through a comparative selection process and/or an option. The number of spectrum licenses available will be dependent on the availability of radio frequency spectrum.
- TRCSL being the telecommunication regulator, controls and manage the national numbering plan. TRCSL allocates numbers in blocks to the relevant operators in order to ensure the scarce numbers resource is utilized efficiently. TRCSL also ensures that the numbers allocations process is fair and transparent so as to provide a level playing field for competition.

- Facility based licensees are able to provide the services that are offered by non-facility based licensees. Individual licenses are permitted to provide their services to third parties who may include other licensed telecom operators business customers and the general public. Individual licensees can provide services to classed licensees but not vice versa.
- Individual licenses are issued for a period of ten years, but validity of the non-facility based license is limited to five years. Licenses can be renovate under the same or/and different conditions, depends on the performance, for a period not exceeding its original duration.
- License fees will be determined by TRCSL from time to time depending on the type of the service to be offered. The license fee is used to meet the expenses of the TRCSL incurred in exercising responsibilities, functions and power under the act and other laws. In addition, the licensees are required to pay annual cess that amount to 3% total turnover.
- A telecommunication service provider submitting information to the TRCSL may request that the information submitted be treated as confidential all information for which the applicant request to treat as confidential should be protected by TRCSL personnel against improper disclosure or use'.

**The objective of the TRCSL on Licensing Framework:** In order to provide a more conducive environment for market growth and improvement of the wellbeing of the society, commission adheres to the convergence of technologies and network of next generation. Following features are also considered by TRCS in this respect.

#### **Frameworks.**

- Promote the competition
- Quality of service
- Teledensity
- Deployment of new technology
- Efficiency and convergence
- Open Access.

#### **Issuance of New Licence**

- A new licence was issued to US Cable Service (Pvt.) Ltd. on 25<sup>th</sup> August 2017 for a licence period of 5 years to provide Direct to Home (DTH) services in Sri Lanka.

## Renewal of Licences

- Lanka Bell Ltd. - Fixed Wireless Licence
- Bharti Airtel Lanka (Pvt)Ltd.-Mobile Telecommunications Licence
- Bharti Airtel Lanka (Pvt) Ltd-International Service Licence
- Societe Internationale de Telecommunications Aeronautiques (SITA) -\_Fixed Aeronautical Telecommunication Service
- Dialog Television (Pvt.) Ltd.- Direct to Home (DTH) services

## 4.9 NETWORK DIVISION

Network Division is responsible for regulating issues related to public or private telecommunication related networks in Sri Lanka.

Areas that comes under the purview of Network Division are managing the National Numbering Plan for public telecommunications networks, assigning signalling codes, network codes, object identifiers, infrastructure deployment, licensing of telecommunications equipment vendors, issuance of type approval certificates and customs clearances for network equipment, enabling the introduction of new technologies to the telecommunication networks in Sri Lanka.

Functions carried out by Network Division in 2017 under the areas mentioned above in accordance with the Telecommunications Act are given below.

### Numbering

Numbering resource that is required for telecommunications networks is a scarce as such TRCSL manages the National Numbering Plan of the telecommunications industry of Sri Lanka. The Numbering Plan sets out the framework and guidelines for the use of numbering resource available for telecommunications networks in the country. Since Numbering is a scarce resource it has be managed with proper planning. Hence the Numbering plan is changed from time to time according to the demand of the industry which depends on new developments and current trends in the industry.

Given below is summary of the activities related to the above function.

- Managing the national numbering resource
- Assigning Short Codes for government and private organizations
- Coordinating with telecommunications operators on matters related to Short Codes

- Allocating International and National Signaling Point Codes, network codes to telecommunications operators
- Allocating Object Identifiers (OID)s
- In coordination with Policy and International Relations Division, conducting Local Training Course on IPv4/IPv6 BGP Routing for Operator in Sri Lanka with the assistance of APT & APNIC

## **Infrastructure Deployment**

Facilitation of deployment of telecommunications infrastructure such as copper or optical fibre networks, undersea cable landing stations, and telecommunication antenna towers is another main function carried out by Network Division. Telecommunications operators make requests to obtain the clearance for expansions of existing networks or to introduce new services using above mentioned physical infrastructure facilities. Network Division facilitates those by way of issuing relevant approvals through coordination with several other related government organisations.

Due consideration is given to the matters related environmental impacts, health and safety issues, national security and also to the public interests while maintaining sustainable development of the telecommunication industry. The duties carried out by the Division with regard these are summarized as follows.

- Coordinating with various Government organizations such as Ministry of Defence, Central Environment Authority, Urban Development Authority on matters related to telecommunication infrastructure deployment
- Processing of application for erection of antenna structures through newly procured Antenna Structure Management System (ASMS) software. During the year 2017, 80% of the antenna structure data entered to the ASMS and verification of data available in the system has been started with the respective operators.
- Facilitating licensed telecommunications Operators in implementation of their infrastructure deployment projects.
- Conducting public awareness programs on telecommunication infrastructure deployment.
- Handling public complaints regarding telecommunications towers
- Study project proposals submitted by individuals/ organizations with regard to telecommunication infrastructure deployments and make recommendations and submit reports on the same

- Finalized the revision of Guideline on antenna structures which addresses the practical difficulties in the approval process and facilitates the unhindered development in Telecommunication Industry while paying due attention to the public health, safety and other concerns.
- Preparing Technical Standards Guide for Provision of Communication Services in High Rise Buildings.

### **Control of Illegal Operation of Cable TV Services**

In accordance with Section 22(A) (1) of the Act, no person shall perform cabling work in any premises except under the authority of a license issued by the Commission for that purpose. Networks Division engaged in controlling the provision of illegal cable TV services throughout the island with the assistance of the Criminal Investigation Department.

### **Type Approval & Equipment clearance**

TRCSL is empowered to approve types of telecommunication apparatus which may be connected to a telecommunication system in terms of the provisions of Section 5(q) of the Telecommunication Act. In exercising the duties entrusted in section 5(q), TRC has mandated all operators in Schedule 2 of System Licence issued under Section 17 of the Act, to connect telecommunication apparatus which is type approved by the Commission.

Accordingly, telephone instruments, fax machines, PABXs (Private Automated Branch Exchange), modems, cordless telephones and any other customer premises equipment to be connected to the licensed networks require type approval whether those are locally manufactured or imported either by operators, vendors or individuals.

Network Division is responsible for carrying out type approval procedure for terminal network equipment and to issue authorization letters to Customs/BOI/Import controller for importing all network related equipment. The functions carried out by in this regard are summarized as follows.

- Carrying out type approval procedure of telecommunication terminal and network equipment
- Making recommendations to Customs/BOI/Import controller for clearance purposes by way of approval letters

- Ensuring compliance of technical standards of network equipment in the telecommunications sector in Sri Lanka in accordance with the recommendations and guidelines of the ITU
- Issuing approvals to telecommunications operators to unblock Voice over Internet Protocol (VOIP) ports, protocols and applications in order to prevent illegal international call terminations
- Assisting Police/Criminal Investigation Department (CID) investigations associated with public security, law and order in matters related to the field of telecommunications
- Participating in Technical Evaluation Committees (TECs) of Government Institutions and Public Corporations and provide technical inputs related to telecommunications.

### **Vendors Licensing**

In accordance with Section 21 of Telecommunications Act no person shall manufacture, import, sale, offer for sale, deal-in, hire, lease, demonstrate, maintain or repair of any telecommunications equipment or radio communication equipment in Sri Lanka by way of trade except under the authority of a license issued by the Commission. The Vendors Licence is the authorization issued by the Telecommunication Regulatory Commission to perform aforesaid activities. The functions carried out related to issuing Vendors Licences are as follows

- Processing applications for Vendor Licenses and issuing Licences after making sure that required conditions are fulfilled by the applicant
- Managing Vendor License regime
- Assisting Police/Criminal Investigation Department (CID) investigations related to public security law and order in matters related to Vendors Licences.

### **Investigation of Illegal Vendors**

Networks Division continued public awareness campaigns and investigation of illegal vendors with the assistance of Sri Lanka Police in order to force/encourage setting up of legal selling points of telecommunication equipment including mobile phones. Statistics pertaining to activities undertaken by the Networks Division are shown below.

*Table 24: Statistics pertaining to activities undertaken by the Networks Division-2017*

<b>Statistics Related to Network Division for 2016-2017 Description</b>	<b>2016</b>	<b>2017</b>
Total No. of Vendor licenses issued	833	834
Cumulative No. of Towers constructed	6727	6776
Total No. of Tower complaints received	101	98
Total No. of investigations handled (Tower related)	55	32
Total No. of court cases related to towers	0	0
Total No. of public awareness programs held	10	04
Total No. of New Type Approvals given	20	38
Total No. of issuance of Import clearances	4404	3475
Total No. of Individual Clearances	25	31
Cumulative No. of New Short codes issued	62	75

### **Numbering: Allocation of Short Codes**

Ten, four digit short codes in 19xx range were assigned to Government organizations during the year 2017. Four short codes in 13xx range were assigned to Private sector organizations during the same period.

### **Short Codes Assigned in 2017**

#### **For Government Organizations**

*Table 25: Short Codes Assigned in 2017 (For Government Organizations)*

<b>Organization</b>	<b>Short Code</b>
Ministry of Home Affairs	1902
Ministry of Provincial Councils and Local Government	1917
Geological e& Mines Bureau	1921
Independence Television Network Ltd - ITN	1930
National Youth Services Council	1940
Ministry of Skill Development & Vocational Training	1951
People's Bank	1961
University Grant Commission	1980
Sri Lanka Institute of Development Administration (SLIDA)	1982
Ministry of Foreign Affairs	1995

#### **For Private Sector Organizations**

*Table 26: Short Codes Assigned in 2017 (For Private Organizations)*

<b>Organization</b>	<b>Short Code</b>
WDR Samarokoon Logistics (Pvt) Ltd	1353
Airport Travel Holdings Pvt Ltd	1375
Capital One Business Trading Pvt Ltd	1378
Diesel & Motor Engineering PLC	1388



## Infrastructure Deployment

### Construction of Telecommunication Towers

The cumulative number of telecommunication towers constructed increased up to 6776 which includes 49 new towers constructed in 2017.

### Handling of Infrastructure Deployment Complaints

Networks Division carried out 32 investigations in 2017 for the complaints against tower construction made by general public. There were no telecommunication towers related court cases in 2017. 98 towers related public complaints were received in the year 2017.

### Public Awareness Programmes

In 2017, Networks Division conducted four (04) public awareness campaigns with the assistance of professionals specialized in this field. The main objective of these awareness programs was to educate general public on issues related to antenna towers such as electromagnetic radiation and lightning.

### Vendor Licensing

834 vendor licenses were issued to different types of telecommunications equipment vendors in the year 2017.

### Type Approval & Equipment Clearance

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

*Table 27: Type Approval & Equipment Clearance*

Description	No. of documents issued in 2017
Equipment clearances	3475
Type Approvals	38

## 4.10 ADMINISTRATION DIVISION

Through the administration division of TRCSL, manages the functions of all the divisions under the purview of the commission by attending to matters such as planning, organizing, directing, monitoring, controlling, and coordination with other

institutions. Further the division attends to the matters of establishment and disciplinary, evaluation, training, recommendation and approval of payments, procurement, transporting, welfare, creating work friendly environment, obtaining provisions, preparation of corporate plan and annual report, preparation of rules and regulation relevant to commission, and covering media events etc. In addition to the above matters, this division covers its routing works such as maintenance of personnel files, recruitments, confirmations, promotions, performance appraisals, disciplinary inquiries, and preparation of human resource budget.

**Recruiting staff for the division:** Functioning without sufficient staffs was taken into account and in 2017, some of the vacant positions were filled through the recruiting procedure and actions were taken to fill the other positions in near future by the division.

At the same time, the commission paid its' attention to revise the carder positions of the divisions and actions were taken to get the approval from the relevant authorities. Record room maintained at Kadirana Frequency monitoring station was rearranged according to the requirement of TRCSL and the progress was 50% at the end of the year 2017. In addition to the above work re-arrangement of stores at TRCSL head office was fully completed in 2017.

The board of survey of TRCSL for 2017 has been completed according to the procedure and reports have been submitted to the authorities.

In addition to the above matters, the commission arranged local and foreign training facilities to relevant staffs as given in the following tables.

*Table 28: Foreign Trainings in the Year 2017*

Foreign Trainings Provided in the Year 2017					
No	Subject/ Scope of Training/Fellowship/Seminars	COUNTRY	FROM	TO	Funded
1	Member of the SL Delegation in SL Free Trade Agreement	Singapore	12-Dec-16	16-Dec-16	SSLFTA
2	ITU-D Study Group	Geneva	8-Jan-17	15-Jan-17	TRCSL
3	1 <sup>st</sup> Meeting - Correspondence Group	Thailand	6-Feb-17	9-Feb-17	APT
4	4 <sup>th</sup> Meeting of WG on APT Legal Instruments	Thailand	6-Feb-17	11-Feb-17	TRCSL
5	Working Party 5D	Geneva	13-Feb-17	18-Feb-17	TRCSL
6	2 <sup>nd</sup> Meeting of the APT Preparatory Group	Papuwa New Guinea	18-Feb-17	24-Feb-17	APT
7	Commonwealth Forum	UK	18-Mar-17	26-Mar-17	TRCSL
8	Regional Development Forum	Indonesia	19-Mar-17	24-Mar-17	ITU/TRC

9	ITU-R Study Group 6	Geneva	20-Mar-17	26-Mar-17	APT
10	ITU-T Study Group	Geneva	26-Mar-17	31-Mar-17	TRC
11	21 <sup>st</sup> Meeting of APT Wireless Group	Thailand	2-Apr-17	8-Apr-17	APT
12	21 <sup>st</sup> Meeting of APT Wireless Group	Thailand	2-Apr-17	8-Apr-17	APT
13	ITU-T Study Group 2	Geneva	2-Apr-17	7-Apr-17	ITU
14	4th Meeting of ITU-D Study Group 2	Geneva	2-Apr-17	7-Apr-17	ITU
15	Meeting of Study Group - 3	Geneva	3-Apr-17	8-Apr-17	ITU
16	ITU Regional Radio Communication Seminar 2017	Cambodia	12-Apr-17	12-Jul-17	ITU/TRC
17	APT Training Course on Development of Practical Problem-Solving Skills	Japan	12-Apr-17	15-Dec-17	APT
18	SATRC Working Group - Policy, Regulation and Services	Bangladesh	18-Apr-17	19-Apr-17	APT
19	3rd Annual Asia - Pacific Spectrum Management Conference	Thailand	1-May-17	5-May-17	Huawei
20	SATRC Working Group on Spectrum	India	15-May-17	18-May-17	APT
21	International ICT Volunteers Boots Camp 2017	Korea	23-May-17	28-May-17	ITU
22	Enterprise IT 2017	Singapore	23-May-17	26-May-17	TRC
23	Regional Seminar on Spectrum Management	Italy	28-May-17	1-Jun-17	TRC
24	Visit Colombo Lotus Tower Project	China	10-Jun-17	15-Jun-17	ITU
25	D.V. Niranjana - ITU Asia Pacific Centre of Excellence Programme	India	11-Jun-17	11-Oct-17	TRC
26	Visit Colombo Lotus Tower Project	China	11-Jun-17	14-Jun-17	CEIEC
27	World Summit on the Information Forum 2017	Geneva	11-Jun-17	18-Jun-17	ITU
28	World Summit on the Information Forum 2017	Geneva	11-Jun-17	18-Jun-17	ITU
29	Meeting of Working Party 1C	Geneva	12-Jun-17	17-May-17	TRC
30	27th Meeting of the ITU-R	Canada	12-Jun-17	18-Jun-17	TRC
31	Study Group - 15	Geneva	19-Jun-17	22-Jun-17	TRC
32	ICT Policy Course	Korea	8-Jul-17	17-Jul-17	APT
33	Training Course on ICT Policy	Korea	9-Jul-17	15-Jul-17	APT
34	Construction and Completion of Colombo Lotus Tower	Thailand	30-Jul-17	3-Aug-17	CEIEC
35	14th APT Telecommunication ICT Development Forum	Philippines	4-Aug-17	9-Aug-17	APT
36	ITU Asia Pacific Center of Excellence Programme	Thailand	6-Aug-17	12-Aug-17	ITU
37	4th Meeting of the APT Preparatory Group	Malaysia	6-Aug-17	11-Aug-17	APT

38	SATRC Workshop	Pakistan	15-Aug-17	19-Aug-17	APT
39	SATRC Workshop	Pakistan	15-Aug-17	19-Aug-17	APT
40	29 <sup>th</sup> APT Standardization	Thailand	21-Aug-17	26-Aug-17	APT
41	29 <sup>th</sup> APT Standardization	Thailand	21-Aug-17	26-Aug-17	APT
42	ITU Asia Pacific Regional Workshop on ICT Statistics	China	21-Aug-17	27-Aug-17	ITU
43	International Satellite Symposium 2017	Thailand	29-Aug-17	2-Sep-17	APT
44	Meeting of Study Group-20	Geneva	3-Sep-17	9-Sep-17	ITU
45	International Training Program on Management Innovations	Thailand	3-Sep-17	10-Sep-17	TRC
46	APT Training Course on Spectrum Management	India	5-Sep-17	13-Sep-17	APT
47	8 <sup>th</sup> Meeting of the Expert ICT Indicators	Geneva	11-Sep-17	16-Sep-17	ITU
48	Broadband Policy for Universal Access	India	13-Sep-17	19-Sep-17	APT
49	22 <sup>nd</sup> Meeting of APT Wireless Group	Korea	24-Sep-17	30-Sep-17	APT
50	Training on Spectrum Engineering and Cross Border Radio Frequency	China	10-Oct-17	16-Oct-17	ITU
51	APT Training on 5G Communication System and Internet of things	China	15-Oct-17	27-Oct-17	APT
52	The 8 <sup>th</sup> APT Cyber Security Forum (CSF-8)	Bangalidesh	23-Oct-17	27-Oct-17	APT
53	ITU-T-Study Group 3 Regional Group Meeting for Asia and Oceana	Korea	24-Oct-17	24-Oct-17	TRC/ITU
54	ITU-T-Study Group 3 Regional Group Meeting for Asia and Oceania	Korea	24-Oct-17	27-Oct-17	TRCSL
55	Latest Wireless Communications Technology Trends and Planning of Effective Utilization of Frequency Spectrum	Japan	13-Nov-17	21-Nov-17	APT
56	Preparatory Meeting for the 14 <sup>th</sup> Session of the General Assembly of the APT	Thailand	14-Nov-17	22-Nov-17	TRC
57	Preparatory Meeting for the 14 <sup>th</sup> Session of the General Assembly of the Asia-Pacific Telecommunity	Thailand	14-Nov-17	22-Nov-17	TRC
58	APT Training Course on Satellite Communication Advance Level Telecommunication Training Centre (ALTTC)	India	15-Nov-17	21-Nov-17	APT

59	APT Training on the Influence of Big Data and Telecommunication	China	20-Nov-17	29-Nov-17	APT
60	ITU-R Working IB Meeting at ITU	Geneva	23-Nov-17	30-Nov-17	TRC/ITU
61	APT Training on Radio Spectrum Management and Monitoring for Wireless Broadband Infrastructure	Japan	28-Nov-17	12-Jun-17	APT
62	First Financial Inclusion Global Initiative Symposium	India	28-Nov-17	12-Mar-17	TRC
63	The 18 <sup>th</sup> Meeting of the South Asian Telecommunication Regulator's Council	Nepal	19-Dec-17	21-Dec-17	TRC
64	The 18 <sup>th</sup> Meeting of the South Asian Telecommunication Regulators Council	Nepal	19-Dec-17	21-Dec-17	TRC

*Table 29: Local Trainings in the Year 2017*

Local Trainings Provided in the Year 2017			
No	Training Programme	Institute	Date
1	Cyber Attack Targeting in Sri Lankan Websites	Postgraduate Institute of Management	16th - 17th Feb. 2017
2	Electrical Programme for Maintenance for Employees and Electricians	Hector Kobbekaduwa Institute	15th Jan. 2017
3	Diploma in Information Technology	Sri Lanka Institute of Development Administration	2017
4	Master's in information technology	SLIIT	2017
5	Workshop on Submission of Online returns of payee VAT and NBT	Chartered Institute	30th April. 2017
6	Higher National Diploma in Public Procurement and Contract Administration	Sri Lanka Institute of Development Administration	2017
7	Diploma in English Programme	Sri Lanka Institute of Development Administration	2017
8	Post Graduate Diploma in Computer Networks	National Institute of Business Management	2017
9	National HR Conference	BMICH	20th - 21th June 2017
10	National Conference of Library and Information Sciences	Sri Lanka Library Association	29th May 2017
11	MSc. In Human Resources and Management	Institute of Personnel Management	2017

12	Workshop on Public Procurement	Skills Development Fund	27th - 28th Feb. 2017
13	Seminar for the Severe Storm Warning for Sri Lanka Project	Department of Meteorology	2017
14	Driver Skill Developments	Skills Development Fund	28th - 29th Feb. 2017
15	National Management Accountant Conference		17th - 19th July 2017
16	Vehicle Fleet Management		28th July 2017
17	Diploma in Computer Hardware with Networks		2017
18	National Diploma in Human Resource Management and Professional Development	Sri Lanka Foundation	2017
19	Microsoft Excel - Advance Analysis Tools		17th - 18th Aug. 2017
20	National Conference of Chartered Accountants of Sri Lanka	Chartered Institute	19th - 21st Oct. 2017
21	Non - Proliferation Executive Seminar	US Embassy	15th - 16th Nov. 2017
22	Certificate Course in Basic and Intermediate Data Analysis		2017
23	Annual Stock Verification	PRAG Service (Pvt.) Ltd.	09th Nov. 2017
24	12th Corporate Law Conference	Association of Corporate Lawyers Sri Lanka	27th Oct. 2017
25	Advance Diploma in Telecommunication Engineering	APSS International Network (Pvt.) Ltd	2017
26	Budget Seminar	Chartered Institute	11th Nov. 2017
27	Microsoft Excel - Advance Analysis Tools	Adams Skills Development Centre	11th Nov. 2017

#### 4.11 FINANCE DIVISION

Efficient and effective financial management adhering to the statutory requirement and the financial regulations and relevant circulars pertaining to the government and TRCSL are the key functions of the commission. And in controlling and spending money, the commission has to follow the same attitude and need the same responsibility in maintaining the financial records as per generally accepted accounting principles and accounting standards published by the Institute of Chartered Accountants of Sri Lanka and in conformity to the Government financial regulations where applicable. In addition to the historical data, financial administration, cost

control, project evaluation, development of planning, strategic decision making are some of the key functions of the division.

### **Functions**

- Reporting financial results , variation with budget/forecast and reasons for same
- Preparation of the annual budget/forecast.
- Establishing & maintaining internal control system.
- Maintaining records of all Fixed Assets and ensuring the security and optimum usage of same.
- Guiding & assisting to the top management in implementing the Capital & Revenue expenditure programs.
- Tax planning and compliance with relevant statutory authorities.
- Reviewing and analyzing periodic operational and financial report such as Auditors Report and Audit Committee Reports and taking corrective/appropriate action to rectify the deviations, if any.
- Ensuring and following up prompt collection of different levies imposed by the Government and Act of Parliament.
- Ensuring the prompt and due remittance of the funds collected to the Government Treasury.
- Ensuring the Optimum usage of the excess funds, if any by way of low risk, high return investment for the development of the industry.
- Preparing quarterly and annual Financial Statements of the Commission.
- Maintaining statistical records of Revenue,Expenditure,and Assets& Liabilities and provide information to the top management as and when they are requested.

### **Performance.**

The commission is vested with the power to earn and collect revenue by way of radio license fees, cess fees, system operator license fees, vendor license fees, other related fees from Public Switched Telephone Network (PSTN) operators and radio frequency users. It is observed that the revenue of the commission on the increase for the past few years when look at the tables given below.

Table 30: Revenue of the commission for 2015-2017.

Source of Income	2015 (Rs.'000)	2016 (Rs.'000)	2017 (Rs.'000)
System Operator License Fees	107,708	1,751,344	690,143
Cess Fees	3,840,742	4,067,179	4,211,920
Radio Frequency License Fees	6,756,145	7,496,093	6,861,209
Frequency Upfront Fees	0	367,347	4,509,184
Vendors License Fees	13,087	14,771	13,664
Amateur Radio License Fees	56	73	29
Ship Station License Fees	764	892	440
Aircraft License Fees	941	1,170	396
Cordless Phone Dealer Charges	66,757	90,760	109,217
Examination Fees	394	417	458
Application Processing Fees	6,531	1,632	1,428
Short Code Charges	14,796	19,388	27,704
Sundry Income (Interest income from Fixed Deposits, Staff loans etc.)	1,117,143	2,295,412	2,272,462
<b>Total</b>	<b>11,925,066</b>	<b>16,106,478</b>	<b>18,698,254</b>

#### Telecommunication levy.

The present rate of the levy of telecommunication is 25% on the value of supply of telecommunication service as per the act and chart below shows the revenue collected during last three years.

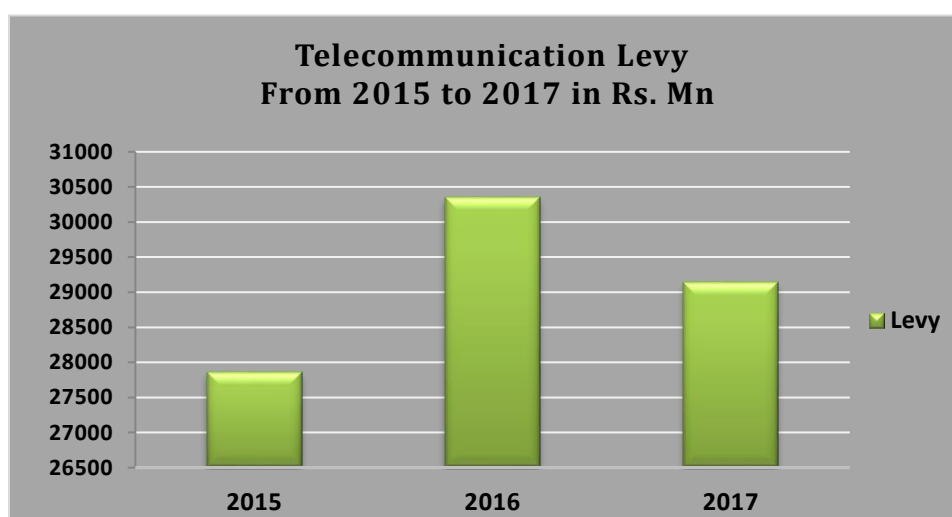


Chart 4: Telecommunication Levy from 2015 to 2017

#### Cess fees.

On the annual gross turnover a 2% cess is being collected by the commission from telecommunication service providers.



### International Telecommunication Operators levy.

In term of the finacé act no.11 of 2004 as amended by the act no.13 of 2009, commission collects a levy of \$0.06 per minute from international operators, and 50% of the levy is being remitted to consolidated fund and rest is to be retained as Telecommunication Development Charges (TDC). The levy for outgoing charges is Rs.3.00 per minute and the chart below shows the revenue collected during last three years.

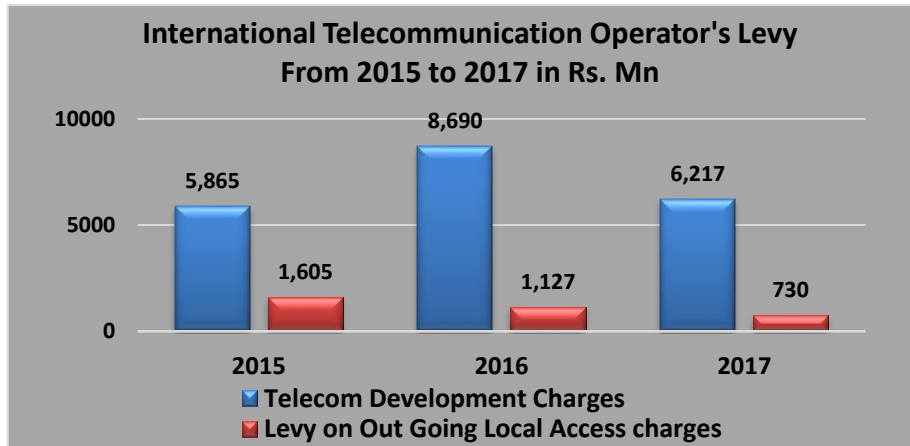


Chart 5:International Telecommunication Operator's Levy (2015-2017)

Following chart depicts the total revenue collected by the commission during the last three years from all levies and cess.

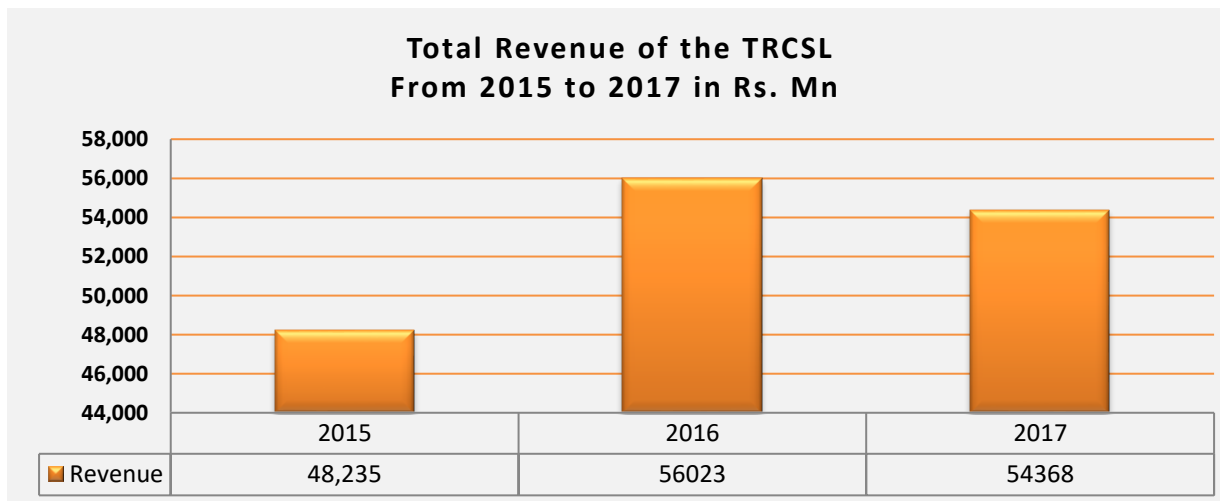


Chart 6:Total Revenue (2015-2017)

### Remittance to the Consolidated Fund.

A colossal amount of money has been remitted to the government consolidated fund by the commission as to strengthen the government revenue and the following table shows the figures of last three years.

Table 31: Remittance to the Consolidated Fund

Description	2015 Rs. billion	2016 Rs. billion	2017 Rs. billion
Telecommunication Act / TRC Funds	10.00	28.00	22.80
Telecommunication Levy	27.86	30.34	29.13
Telecom Development Charges 50%	2.93	4.34	3.11
Levy on Outgoing Local Access Charges	1.61	1.13	0.73
Mobile Tele Operators Levy	1.25	0	0
<b>Total</b>	<b>43.65</b>	<b>63.81</b>	<b>55.77</b>

### Property, Plants and Equipment

During the year 2017, Rs.11.2 million worth of following office equipment and furniture have been purchased.

Computers	Rs.6.6 Mn
Office Equipment	Rs.2.3 Mn
Technical Equipment	Rs.1.2 Mn
Office furniture	Rs.1.1 Mn
	<u>Rs.11.2 Mn</u>

### Investment

The money market daily transactions account with People Bank earned Rs. 210 million interest in 2017 through money market transactions.

## CHAPTER - 05

### Internal Audit Performances & Audit Committee Reports

By operating independently, the internal audit division aims at adding values to the TRCSL and its stake holders, adhering to the matters such as improving an organization governance effectiveness, risk management and efficiency by providing recommendations based on systematic analysis and assessments of data and business process. And also the division involved and displayed its role showing efficiency in operations, reliability in financial reporting, deterring and investigating frauds, safeguarding the assets, and compliance to the rules and regulations concerned. The head of the internal audit directly reports to the commission and reports are submitted to audit committee. Administratively the Internal Auditor has to report through Director General of TRCSL.

#### Functions

- Review and appraisal of existing accounting and reporting systems of TRCSL with a view to making improvements thereto.
- Investigation into causes and effects of inabilities (if any) to achieve the objectives of TRCSL.
- Ascertainment of the extent to which TRCSL assets are safeguarded from losses and frauds
- Making inquiries into necessities of transactions, benefits of transactions and exploration of areas of cost reduction by eliminating waste and extravagance.
- Submission of reports to the Audit Committee based on the findings of the above-mentioned tasks and arranges Audit Committee meetings.
- Preparation and circulation of the decisions of the Audit Committee to Heads of Divisions to take appropriate action.
- Submission of half yearly reports to the Auditor General's Department.
- Carry out special investigations when requested by the Director General / Members of the Commission.
- Assist and make recommendations to various committees appointed by Director General / Commission from time to time.

## Performance in 2017.

During the 2017 there were 4 audit committee meetings and following are details of them.

### 1. Audit Committee meeting held on 30<sup>th</sup> May 2017

The reports/matters were discussed, and decisions /actions were taken as follows:

Subject Area	Action/ Decision taken
Internal Audit of Lotus Tower and IT Park Projects	To instruct for select suitable institute to conduct internal audit of the said projects.
Collection of Telecom Levy and Cess	To introduce a reporting format for Telecommunication Levy and Cess Fee
SLBC outstanding payments on Radio Frequency Charges	To be submitted a commission paper
Mobile Telephone Operator Levy	To be collected levy on due dates
Checking of payment vouchers - January to March 2016	To instruct to send a reply.
Foreign Travelling	To correct the errors.
Statutory Payments- period August 2016 to April 2017	To submit information for next meeting.
Reports received from Auditor General	To obtain legal advice for sign agreement.
Corporate Plan, Action Plan, Procurement Plan, and Budget for the year 2017	Necessary action taken to prepare earlier.
Annual Reports 2014 & 2015	Necessary action taken to prepare earlier.
<b>Report No CIA/16/08 dated 24/11/2016</b> Analysis of Official Methods and File Maintenance	To take action for rectify the weaknesses.
<b>Report No CIA/16/09 dated 16/12/2016</b> Checking of Payments Vouchers - April to June 2016	To instruct to send a reply.
<b>Report No CIA/16/10 dated 29<sup>th</sup> December 2016</b> Checking of settlement Advance Vouchers	To take action for correct the weaknesses.
<b>Report No CIA/17/02 dated 18<sup>th</sup> May 2017</b> Reports received from Auditor General	To take action for correct the errors.

Any other matters discussed by the committee:

- Delay of submitting of financial statements year ended 31/12/2016.
- Delay of filling vacancy of Internal Auditor

2. Audit Committee meeting held on 15<sup>th</sup> August 2017.

The reports/matters were discussed, and decisions /actions were taken as follows:

<b>Subject Area</b>	<b>Action / Decision taken</b>
<b><u>Report No. CIA/17/01 dated 09/05/2017</u></b> Distress Loan files and Relevant Registers	To check all other distress loan files.
<b><u>Report No. CIA/17/03 dated 10/08/2017</u></b> Queries received from Auditor General	To speed up the sending replies to the Auditor General.
Internal Audit of Lotus Tower IT Park	To obtain concurrence from Auditor General for Terms of References.
Collection of Telecom Levy and Cess	To improve reporting format as decisions.
SLBC outstanding payments on Radio Frequency Charges	To take necessary action for reconcile the outstanding balances with SLBC.
Checking of payment vouchers - January to March 2016 & April to June 2016	To take necessary action for obtain signatures of employees for relevant remittances.
Foreign Travelling	To submit a commission paper list of those who have not submitted reports after their foreign visits.
Statutory Payments - August 2016 to April 2017	To check the dates of remittances is correct as summary.
Corporate Plan, Action Plan, Procurement Plan and Budget for the year 2017	To take necessary action for submit these reports earlier.
Annual Reports 2014 & 2015	To take necessary action submit earlier.
Checking of settlement Advance Vouchers	To check whether procedure introduced is working.
Queries received from Auditor General	No further action.

3. Audit Committee meeting held on 24<sup>th</sup> October 2017.

The reports/matters were discussed, and decisions /actions were taken as follows:

Subject Area	Action/ Decision taken
Internal Audit of Lotus Tower IT Park	To submit TOR to the commission.
Collection of Telecom Levy and Cess	To check the accuracy of information sent by operators monthly.
SLBC outstanding payments on Radio Frequency Charges	To agree with final balances with SLBC.
Budget for the year 2018	To submit next commission meeting.
Procurement plan and Action plan for the year 2018	To submit next commission meeting.
Corporate plan for the period 2017 to 2020	To take necessary action for prepare earlier.
Checking of payment vouchers - April to June 2016	Discuss matters with DG and take necessary action.
Statutory Payments - August 2016 to April 2017	To send all remittances in due dates to relevant authorities.
Queries received from Auditor General	To take necessary action.
Summarized Internal Audit Programme for the year 2018	Approved

4. Audit Committee meeting held on 12<sup>th</sup> December 2017.

The reports/matters were discussed, and decisions /actions were taken as follows:

<b>Subject Area</b>	<b>Action/ Decision taken</b>
Internal Audit of Lotus Tower IT Park	Necessary action taken to appoint an internal auditor to carry out the internal audit of Lotus Tower.
Collection of Telecom Levy and Cess	To implement the format for the year 2017 and onwards.
SLBC outstanding payments on Radio Frequency Charges	Advice to collect fees for the year 2018 and to follow up of collecting previous dues.
Budget for the year 2018	To submit next commission for approval.
Procurement plan and Action plan for the year 2018	To submit next commission meeting.
Corporate plan for the period 2017 to 2020	To prepare all mandatory reports in time.
14(2) (c) report issued by the AG under the Finance Act, No 38 of 1971 on the Financial Statement for the year ended 31/12/2016	To take necessary action to facilitate government auditors To submit a copy of board of survey -2016

# FINANCIAL STATEMENT

FOR THE YEAR ENDED DECEMBER, 2017



**TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31<sup>ST</sup> DECEMBER 2017**  
*(Expressed in Sri Lankan Rupees)*

	<u>NOTES</u>	<u>31.12.2017</u>	<u>31.12.2016</u>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, Plant & Equipment	<b>4</b>	12,259,643,187	12,346,876,758
Intangible Assets	<b>4.1</b>	8,554,187	2,392,836
Work In Progress	<b>5</b>	14,845,511,880	11,301,918,644
Investment	<b>6</b>	6,221,020,046	357,097,404
Mobilization Advance Payment	<b>7</b>	989,769,257	1,321,739,434
<b>TOTAL NON-CURRENT ASSETS</b>		<b>34,324,498,557</b>	<b>25,330,025,076</b>
<b>CURRENT ASSETS</b>			
Accounts Receivable	<b>8</b>	6,339,021,114	6,550,438,085
Prepayment and Advance	<b>9</b>	349,715	396,715
Loans and Other Receivables	<b>10</b>	156,426,841	131,931,361
Cash & Cash Equivalents	<b>11</b>	5,624,491,369	12,063,193,512
<b>TOTAL CURRENT ASSETS</b>		<b>12,120,289,039</b>	<b>18,745,959,673</b>
<b>TOTAL ASSETS</b>		<b>46,444,787,596</b>	<b>44,075,984,749</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Government Contributions	<b>12</b>	526,214,744	526,214,744
Accumulated Surplus		16,745,580,058	19,477,817,131
Revaluation Surplus		37,380,000	37,380,000
<b>TOTAL EQUITY</b>		<b>17,309,174,802</b>	<b>20,041,411,875</b>
<b>NON-CURRENT LIABILITIES</b>			
Project Loan - Exim Bank (Lotus Tower)		8,949,205,923	6,634,801,047
Retention	<b>13</b>	46,152,801	879,198,298
Retirement Benefit Obligation	<b>14</b>	6,363,007	2,596,474
Urban Development Authority		9,450,000,000	9,450,000,000
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>18,451,721,732</b>	<b>16,966,595,819</b>

**TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31<sup>ST</sup> DECEMBER 2017**  
*(Expressed in Sri Lankan Rupees)*

*(Contd...)*

	<b><u>NOTES</u></b>	<b><u>31.12.2017</u></b>	<b><u>31.12.2016</u></b>
<b>CURRENT LIABILITIES</b>			
Accounts Payable	<b>15</b>	180,850,917	463,347,017
Advances, Deposits and Other Payables	<b>16</b>	8,358,673,863	4,034,626,238
Payable To Treasury	<b>17</b>	2,144,366,283	2,570,003,799
<b>TOTAL CURRENT LIABILITIES</b>		<b><u>10,683,891,063</u></b>	<b><u>7,067,977,054</u></b>
<b>TOTAL LIABILITIES</b>		<b><u>29,135,612,794</u></b>	<b><u>24,034,572,873</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>46,444,787,596</u></b>	<b><u>44,075,984,749</u></b>

The accounting policies and notes to the financial statements from page 06 to 28 form an integral part of the financial statements. I certify that the financial statements of the Commission give a true and fair view of the state of affairs as at 31<sup>st</sup> December 2017 and its surplus for the period then ended.

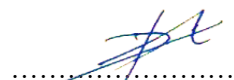


**M. K. Jayantha**  
**Director - Finance**

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



**Austin Fernando**  
**Chairman**



**P.R.S.P. Jayatilake**  
**Director General**

**TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
*(Expressed in Sri Lankan Rupees)*

	<u>NOTES</u>	<u>31.12.2017</u>	<u>31.12.2016</u>
<b>Revenue</b>			
Income	<b>18</b>	54,368,045,117	56,023,955,218
<b>Total Operating Income</b>		<b>54,368,045,117</b>	<b>56,023,955,218</b>
<b><u>Less:</u></b> Regulatory Expenses	<b>19</b>	(66,857,614)	(164,191,324)
<b>Net Total Operating Income</b>		<b>54,301,187,503</b>	<b>55,859,763,893</b>
<b><u>Less:</u></b> Other Expenses			
Administration & Establishment Expenses	<b>20</b>	608,717,107	548,374,998
Finance & Others	<b>21</b>	4,174,491	3,082,690
Provision for Bad Debtors		30,355,765	(30,742,498)
(Gain) / Loss on Foreign Currency Transactions		81,468,932	(2,672,418)
<b>Total Expenditure</b>		<b>724,716,294</b>	<b>518,042,772</b>
<b>Profit for the Year from Continuing Operations Before Income Tax</b>		<b>53,576,471,208</b>	<b>55,341,721,121</b>
<b><u>Less:</u></b> Income Tax		(536,435,813)	(727,760,032)
<b>Profit for the Year from Continuing Operations After Income Tax</b>		<b>53,040,035,396</b>	<b>54,613,961,089</b>
<b>Other Comprehensive Income</b>			
Gain/(Loss) on Retirement Benefit Obligation		822,371	1,494,318
<b>Total Other Comprehensive Income for the Year</b>		<b>822,371</b>	<b>1,494,318</b>
<b>Total Comprehensive Income for the Year After Tax</b>		<b>53,040,857,767</b>	<b>54,615,455,407</b>
<b><u>Less:</u></b> Contribution to the Consolidated Fund	<b>22-1</b>	(40,773,094,840)	(48,816,904,084)
<b>Total Comprehensive Income for the Year After Contributing the Consolidated Fund</b>		<b>12,267,762,927</b>	<b>5,798,551,322</b>
<b><u>Add:</u></b>			
<b>Total Comprehensive Income Brought Forward</b>		<b>19,477,817,131</b>	<b>28,679,265,809</b>
<b><u>Less:</u></b> Contribution to the Consolidated Fund	<b>22-2</b>	(15,000,000,000)	(15,000,000,000)
		<b>4,477,817,131</b>	<b>13,679,265,809</b>
<b>Total Comprehensive Income Carried Forward</b>		<b>16,745,580,058</b>	<b>19,477,817,131</b>

**TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
*(Expressed in Sri Lankan Rupees)*

	<u>Note</u>	<u>31.12.2017</u>	<u>31.12.2016</u>
<b><u>Cash Flows from Operating Activities</u></b>			
Cash generated from operations	<b>23</b>	55,673,136,915	51,574,969,413
Tax paid		(877,002,035)	(471,306,899)
Super gain tax paid		0	0
Retirement benefit obligation paid		(5,433,812)	(1,922,265)
<b>Net cash generated from operating activities</b>		<b>54,790,701,067</b>	<b>51,101,740,249</b>
<b><u>Cash Flow from Investing Activities</u></b>			
Purchases of property plant & equipment		(11,225,556)	(40,964,023)
Purchases of Intangible Assets		(9,495,150)	(4,989,606)
Projects under which are in work in progress		(3,543,593,237)	(1,691,712,259)
Net Investment in Fixed Deposit & Government securities under re-purchase agreement		(5,863,922,642)	22,103,455,931
Investment in Fixed Deposit - Gratuity Obligation		(2,600,000)	(4,300,000)
Interest Income from Fixed Deposit - Gratuity Obligation		5,589,452	0
Interest Income from government securities under re-purchase agreement		2,027,097,093	2,101,015,117
Proceed from sale of Property, Plant & Equipments		0	376,850
<b>Net cash used in investing activities</b>		<b>(7,398,150,041)</b>	<b>22,462,882,010</b>
<b><u>Cash Flows from Financing Activities</u></b>			
Mobilization Advance payment		331,970,176.73	117,935,562
Interest Income from Money Market Transactions		209,981,046	166,266,227
Remittance to the Consolidated Fund		(55,773,094,840)	(63,816,904,084)
Project Loan - Exim Bank (Lotus Tower)		2,314,404,876	1,039,552,799
Retention		(833,045,497)	72,379,369
Urban development Authority		0	0
<b>Net cash used in financing activities</b>		<b>(53,749,784,237)</b>	<b>(62,420,770,127)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(6,357,233,211)</b>	<b>11,143,852,133</b>
<b><u>Movement in Cash and Cash Equivalants</u></b>			
As at 01st January 2017		12,063,193,512	916,668,961
(Decrease) /increase		(6,357,233,211)	11,143,852,133
Exchange (losses) / gains on cash and cash equivalent		(81,468,932)	2,672,418
<b>As at 31st December 2017</b>		<b>5,624,491,369</b>	<b>12,063,193,512</b>

**TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
*(Expressed in Sri Lankan Rupees)*

	<b>Government Contributions</b>	<b>Revaluation Surplus</b>	<b>Accumulated Surplus/(Deficits)</b>	<b>Total Equity</b>
<b>Balance at 01<sup>st</sup> January 2016</b>	526,214,744	37,380,000	28,679,265,809	29,242,860,553
<b>Less: Transfer to Consolidated Fund</b>	0	0	(15,000,000,000)	(15,000,000,000)
	<b>526,214,744</b>	<b>37,380,000</b>	<b>13,679,265,809</b>	<b>14,242,860,553</b>
Total Comprehensive Income for the Year Ended 31 <sup>st</sup> December 2016	0	0	5,798,551,322	5,798,551,322
<b>Balance at 31<sup>st</sup> December 2016</b>	<b>526,214,744</b>	<b>37,380,000</b>	<b>19,477,817,132</b>	<b>20,041,411,875</b>
<b>Balance at 01<sup>st</sup> January 2017</b>	526,214,744	37,380,000	19,477,817,132	20,041,411,876
<b>Less: Transfer to Consolidated Fund</b>	-	-	(15,000,000,000)	(15,000,000,000)
	<b>526,214,744</b>	<b>37,380,000</b>	<b>4,477,817,132</b>	<b>5,041,411,876</b>
Total Comprehensive Income for the Year Ended 31 <sup>st</sup> December 2017	0	0	12,267,762,927	12,267,762,927
<b>Balance at 31<sup>st</sup> December 2017</b>	<b>526,214,744</b>	<b>37,380,000</b>	<b>16,745,580,059</b>	<b>17,309,174,803</b>

## **TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**

### **NOTES TO THE FINANCIAL STATEMENTS – 31.12.2017**

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

#### **1. GENERAL INFORMATION**

Telecommunications Regulatory Commission of Sri Lanka is an Independent Body and established under the Sri Lanka Telecommunication Act, No. 25 of 1991 as amended by the Sri Lanka Telecommunications Amendment Act, No. 27 of 1996 to regulate the telecommunication sector.

The registered office of the Commission is located at No.276, Elvitigala Mawatha, Colombo 8.

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

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

- (a) To ensure the provision of a reliable and efficient national and international telecommunication service in Sri Lanka (save in so far as the provision thereof is impracticable) such as will satisfy all reasonable demands for such service including emergency services, public call box services, director information services, maritime services and rural services as may be considered essential for the national wellbeing.
- (b) Without prejudice to the generality of paragraph (a), to secure that every operator shall have and employ the necessary technical, financial and managerial resources to ensure the provision of the services specified in his license.
- (c) To protect and promote the interests of consumers, purchasers and other users and the public interest with respect to the charges for, and the quality and variety of telecommunication services provided and telecommunication apparatus supplies.
- (d) To maintain and to promote effective completion between persons engaged in commercial activities connected with telecommunication and promote efficiency and economy on the part of such persons.

## **NOTES TO THE FINANCIAL STATEMENTS (Contd.)**

- (e) To promote the rapid and sustained development of telecommunication facilities both domestic and international.
- (f) To ensure that operators are able to carry out their obligations for providing a reliable and efficient service free of undue delay, hindrance or impediment.
- (g) To promote research into and the development and use of new techniques in telecommunications and related fields.
- (h) To encourage the major users of telecommunication services whose places of business are outside Sri Lanka to establish places of business within Sri Lanka. and
- (i) To promote the use of Sri Lanka for international transit services

### **2. BASIS OF PREPARATION**

The Commission prepares its financial statements in accordance with the Sri Lanka Accounting Standards (“SLFRS”) issued by the Institute of Chartered Accountants of Sri Lanka and the requirements and Sri Lanka Accounting and Auditing Standards Act No.19 Of 1995.

The Institute of Chartered Accountants of Sri Lanka issued a new volume of Sri Lanka Accounting Standards (“SLFRS”) and to require enterprises to apply these standards effective for years beginning on or after 1<sup>st</sup> January 2012.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below.

These policies have been consistently applied to the years presented, unless otherwise stated.

#### **3.1 Basis of preparation**

The Financial Statements of TRCSL have been prepared in accordance with Sri Lanka Reporting Standards (SLFRS). The financial statements have been prepared under the historical cost convention. No adjustment has been made for inflationary factors affecting these Accounts.

## **NOTES TO THE FINANCIAL STATEMENTS (Contd.)**

### **3.1.1 Post Balance Sheet Events**

All material events occurring after the Balance Sheet date has been considered and where necessary, appropriate adjustments have been made in the accounts.

### **3.1.2 Foreign Currency Conversion**

All foreign currency transactions are converted at the rate of exchange prevailing at the time the transactions were affected. Assets and Liabilities in foreign currencies are translated at the rates of exchange prevailing at the Balance Sheet date. The resulting gains and losses are dealt within the Income and Expenditure Account.

## **3.2 Assets and the bases of their valuation**

### **3.2.1 Property, Plant and Equipment**

#### **(a) Cost**

All the Property, Plant and Equipment are stated at cost less accumulated depreciation or impairment loss. The cost of property, plant and equipment comprises its purchase price and any directly attributable cost of bring the asset to working condition for its intended use.

Subsequent cost incurred for the purpose of acquiring, extending or improving assets of a permanent nature in order to carry on or flow future economic benefits associated with the item to the Commission has been treated as capital expenditure. The carrying amounts of replaced parts are de-recognized. All other repairs and maintenance are charged to the comprehensive income during the financial period in which they are incurred.

#### **(b) Depreciation**

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



## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### (c) **Estimated Useful Lives of PPE**

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

### (d) **Intangible Assets**

Acquired Computer Software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Those costs are amortized over the useful life of one year.

### (e) **Capital Work-In-Progress**

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

### (f) **Derecognition**

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

## **NOTES TO THE FINANCIAL STATEMENTS (Contd.)**

### **3.2.1 Investments**

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

### **3.2.2 Accounts Receivable**

Accounts receivable are recognized and carried at original invoice amount and any allowance for any uncollectible amounts. An estimate for doubtful receivables is made when collection of the full amount is no longer probable.

### **3.2.4 Cash and Cash Equivalents**

Cash and cash equivalents comprise cash in hand and deposits at bank.

## **3.3 LIABILITIES AND PROVISIONS:**

All material liabilities as at the balance sheet date are included in the financial statements and adequate provision has been made for liabilities which are known to exist but the amount of which cannot be determined accurately.

Obligation payables on demand or within one year of the statement of financial position date are treated as current liabilities in the statement of financial position. Liabilities payable after one year from the statement of financial position date are treated as non-current liabilities in the statement of financial position.

### **3.3.1 Capital Commitment and Contingencies**

Capital expenditure commitments and contingent liabilities as at the date of the balance sheet have been disclosed in the notes to the accounts.

## **NOTES TO THE FINANCIAL STATEMENTS (Contd.)**

### **3.3.2 Employee Benefit**

#### **(a) Retirement Benefit Obligation**

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

	<b>2017 (Rs.)</b>	<b>2016 (Rs.)</b>
At the beginning of financial year	43,596,474	40,942,627
Current Service Cost	3,115,425	3,260,668
Interest Cost	3,917,840	2,809,761
Charged to profit and loss of the statement of comprehensive income	7,033,265	6,070,429
Actuarial losses / (gains)	(822,371)	(1,494,318)
Benefits paid	5,433,812	1,922,265
At the end of financial year	44,373,555	43,596,474

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

The retirement benefit plan defines an amount of benefit that an employee will receive on retirement. The liability recognized in the statement of financial position in respect of defined benefit plan is calculated annually by the Commission using the projected unit credit method prescribed in Sri Lanka Accounting Standard – LKAS 19: Employee Benefits.

Gains and losses arising from changes due to over or under provision in the previous year are charged or credited to statement of comprehensive income in the period in which they arise. The Obligation for the year is recognized immediately in statement of comprehensive income. The amount equals to the gratuity obligation is invested in fixed deposit by the Commission.

The principal actuarial assumptions used were as follows.

Discount Rate	-	9% per annum
Rate of salary increase	-	1% - 6.7%
Retirement Age	-	60 years

## **NOTES TO THE FINANCIAL STATEMENTS (Contd.)**

### **(b) Defined Contribution Plans**

Obligation for contributions to a defined contribution plans are recognized as an expense in the statement of comprehensive income as incurred.

The Commission contributes a sum not less than 15% and 3% of the gross emoluments of employees to Employees' Provident Fund (EPF) and to the Employees' Trust Fund (ETF) respectively.

### **(c) Employee Provident Fund**

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

#### **Employee Trust Fund**

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

## **3.4 REVENUE RECOGNITION**

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

### **3.4.1.1 Operator License fee**

Operator license fee is recognized on cash basis when the New licenses are issued or existing licenses are renewed for the period of either 10 years or 05 years, to the telecom operators under section (17) of the Sri Lanka Telecommunication Act, No. 25 of 1991 as amended by the Sri Lanka Telecommunication Amendment Act, No. 27 of 1996.

### **3.4.1.2 Vendor License Fee /Cordless Phone Dealer Charges/ Short Code Charges / Application Processing Fee**

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

## **NOTES TO THE FINANCIAL STATEMENTS (Contd.)**

### **3.4.1.3 Cess Fee**

Cess fee is recognized on accrual basis.

City Cable Links (pvt) Ltd., and Lanka Broad Band Networks (Pvt) Ltd. have not paid cess fees and recovery process has been commenced for default cess fee.

### **3.4.2 Telecommunication Levy**

Telecommunication Levy received from the telecom operators under the Telecommunication Act, No. 21 of 2011 are recognized as revenue and subsequently remitted to the State Consolidated Fund.

Recovery process of unpaid telecommunication levy from Lanka Broad Band (pvt) Ltd., and City Cable Links (pvt) Ltd., has been commenced. Legal action for default payment shall be taken as per the provisions of Telecommunication Act, No. 21 of 2011.

### **3.4.3 Telecommunication Development Charges**

Telecommunication Development Charges received from the External Gateway Operators under the Part 111 of the Finance Act, No.11 of 2004 are recognized as revenue. 50 percentage of this revenue were subsequently remitted to the State Consolidated Fund.

### **3.4.4 International Outgoing Call Levy**

International Outgoing Call Levy received from the External Gateway Operators under the Part 111 of the Finance Act, No.11 of 2004 and the Regulations published in Extraordinary Gazette Notification No. 1738/15 dated 29<sup>th</sup> December 2011 are recognized as revenue and subsequently remitted to the State Consolidated Fund.

### **3.4.5 Interest Income**

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

## **NOTES TO THE FINANCIAL STATEMENTS (Contd.)**

### **3.4.6 Income Taxes**

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

#### **Income Tax Classification**

<b>Year</b>	<b>Amount (Rs.)</b>
<b>2015</b>	<b>21,982,852</b>
<b>2016</b>	<b>635,777,180</b>
<b>2017</b>	<b>629,146,183</b>
<b>Total</b>	<b>1,286,906,215</b>

### **3.4.7 Economic Service Charge (ESC)**

ESC is payable on the liable turnover at specified rates. As per the provision of the Economic Service Charge Act, No. 13 of 2006 and subsequent amendments there to, ESC is deductible from the income tax liability. Any unclaimed payment can be carried forward and set off against the income tax payable as per the relevant provision in the Act.

### **3.5 EXPENDITURE**

Expenses are recognized in the comprehensive income statement on the basis of direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the Commission and in maintaining the capital assets in a state of efficiency has been charged to revenue in arriving at the surplus for the year.

## **NOTES TO THE FINANCIAL STATEMENTS (Contd.)**

### **3.6 PROJECTS**

#### **3.6.1 COLOMBO LOTUS TOWER**

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

Also, a mega leisure park as the 2<sup>nd</sup> phase is to be planned and commenced once the Colombo Lotus Tower project is completed.

The cost of the construction was estimated to US \$ 104.3 Million and 85% of which is financed by a 14 year loan from the Export – Import Bank of China (EXIM Bank) under the Buyers’ Credit loan Agreement No. BLA-201207 signed by TRCSL & EXIM Bank where the Secretary to the Ministry of Finance & Planning then, has sign as the Guarantor on behalf of the Government of Sri Lanka. The balance 15% of the project cost which is amounted to US \$ 15.645 Million is to be borne by the TRCSL.

The percentage completed of the project was 77% which includes the total work done including material at site was US\$ 77.499 Million. Retention withheld and recovery of mobilization advance were US \$5.215 Million & US \$ 10.220 Million respectively as at 31-12-2017. Retention released as per the condition of contract and submission of irrevocable demand bank guarantee from HSBC, upon the recommendation and approval of Project Consultancy Unit (PCU) and acknowledgement of Cabinet Appointed Negotiation Committee (CANC).

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

## **NOTES TO THE FINANCIAL STATEMENTS (Contd.)**

### **3.6.2 LAND – LOTUS TOWER**

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

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

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

Original completion date was 15<sup>th</sup> May 2015, and granted Extension Of Time (EOT) until 31<sup>st</sup> October 2017 with the recommendation of the Project Consultancy Unit (PCU) the engineers to the project; (University of Moratuwa)

### **3.6.3 IT PARK HAMBANTHOTA SOORIYAWEWA**

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

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



## **NOTES TO THE FINANCIAL STATEMENTS (Contd.)**

### **IT PARK HAMBANTHOTA SOORIYAWEWA (Contd.)**

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

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

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

The percentage completed of the project was 33% which includes the total work done including material at site was Rs.423.9 Million. Retention withheld and recovery of mobilization advance were Rs.46 Million & Rs.157 Million respectively as at 31-12-2017.

Sooriyawewa land cost shall be capitalized and value of the land shall be assessed by the government valuer.

### 3.7 CONTINGENCIES

(a) **DC case No. 6188/2010**

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

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

(b) **HC Civil No. 137/2011**

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

(c) **IT Park – Hambanthota**

The Award was delivered by the Dispute Adjudication Board (DAB) on 20<sup>th</sup> November 2017. The DAB decided that the claimant shall be paid a sum of Rs.139, 931,875. TRCSL rejected DAB decision and refer it to Arbitration.

**TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**  
**NOTES TO ACCOUNTS - 31.12.2017** (Contd...)  
(Expressed in Sri Lankan Rupees)

**4. PROPERTY, PLANT & EQUIPMENT**

COST	BALANCE AS AT 01.01.2017	For the Year 2017		BALANCE AS AT 31.12.2017
		ADDITIONS	DISPOSALS/ TRANSFERS	
Lands	148,863,771	0	0	148,863,771
Lease Hold Lands	345,502	0	0	345,502
Buildings	150,381,065	0	0	150,381,065
Kokavil Tower	314,933,479	0	0	314,933,479
Vauniya Tower	29,900,741	0	0	29,900,741
Vehicles	168,717,224	0	0	168,717,224
Air conditioners	15,104,152	0	0	15,104,152
Elevators	4,683,848	0	0	4,683,848
Generators	2,665,428	0	0	2,665,428
Computers	91,874,487	6,598,900	0	98,473,387
Web Server	2,213,661	0	0	2,213,661
Other Office Equipment	31,736,137	2,344,150	0	34,080,287
Mobile Phones	1,061,867	20,101	0	1,081,968
Office Furniture	21,274,957	1,091,774	0	22,366,731
Technical Equipment	68,833,886	1,170,631	0	70,004,517
FMMS Project Surveillance Vehicles	61,712,127	0	0	61,712,127
FMMS Project Equipment	408,303,544	0	0	408,303,544
Gymnasium Equipment	5,629,707	0	0	5,629,707
Video Unit Equipment	12,572,266	0	0	12,572,266
	<b>1,540,807,848</b>	<b>11,225,556</b>	<b>0</b>	<b>1,552,033,405</b>
Land Lotus Tower	11,715,212,127	0	0	11,715,212,127
	<b>13,256,019,976</b>	<b>11,225,556</b>	<b>0</b>	<b>13,267,245,532</b>

DEPRECIATION	BALANCE AS AT 01.01.2017	For the Year 2017		BALANCE AS AT 31.12.2017
		ADDITIONS	DISPOSALS/ TRANSFERS	
Buildings	115,893,349	4,534,700	0	120,428,049
Kokavil Tower	181,550,778	31,493,348	0	213,044,126
Vauniya Tower	17,940,445	2,990,074	0	20,930,519
Vehicles	93,902,245	20,093,797	0	113,996,042
Air Conditioners	10,519,694	766,548	0	11,286,242
Elevators	4,683,848	0	0	4,683,848
Generators	2,665,428	0	0	2,665,428
Computers	79,765,577	9,453,587	0	89,219,164
Web Server	2,213,661	0	0	2,213,661
Other Office Equipment	21,733,690	1,871,569	0	23,605,259
Mobile Phones	657,856	78,287	0	736,144
Office Furniture	13,772,184	1,383,859	0	15,156,043
Technical Equipment	20,295,044	6,483,616	0	26,778,660
FMMS Project Surveillance Vehicles	11,622,467	7,714,016	0	19,336,483

FMMS Project Equipment	315,625,433	10,760,214	0	326,385,647
Gymnasium Equipments	5,616,607	13,100	0	5,629,707
Video Unit Equipment	10,684,912	822,412	0	11,507,324
	<b>909,143,218</b>	<b>98,459,127</b>	<b>0</b>	<b>1,007,602,345</b>

**NET BOOK VALUE**

**12,346,876,758**

**12,259,643,187**

**Notes:**

Value of **Land** of Rs. 148,235,572 includes Rs. 45,000,000 for the Land situated in Kadirana, Negombo. Extent of the Land is 112 Acres Rood 01 and P 10.5. Approximately a 50% of the extent of the land has been acquired by the Divisional Secretary of Katana, but the effect of the change of the value due to the acquisition has not been incorporated in accounts.

**4.1 INTANGIBLE ASSETS**

COST	BALANCE AS AT 01.01.2017	For the Year 2017		BALANCE AS AT 31.12.2017
		ADDITIONS	DISPOSALS/ TRANSFERS	
Computer Software	8,429,774	9,495,150	0	17,924,924
	<b>8,429,774</b>	<b>9,495,150</b>	<b>0</b>	<b>17,924,924</b>

AMORTIZATION	BALANCE AS AT 01.01.2017	For the Year 2017		BALANCE AS AT 31.12.2017
		ADDITIONS	DISPOSALS/ TRANSFERS	
Computer Software	6,036,938	3,333,800	0	9,370,737
	<b>6,036,938</b>	<b>3,333,800</b>	<b>0</b>	<b>9,370,737</b>

**NET BOOK VALUE**

**2,392,836**

**8,554,187**

**5. WORK IN PROGRESS**

	BALANCE AS AT 01.01.2017	For the Year 2017		BALANCE AS AT 31.12.2017
		ADDITIONS	(TRANSFERS)	
Entrance Lobby & Main H/O Building	10,057,910	0	0	10,057,910
Construction of Lotus Tower	10,638,930,582	3,513,666,793	0	14,152,597,375
IT Park - Hambantota	652,930,152	29,926,444	0	682,856,596
	<b>11,301,918,644</b>	<b>3,543,593,237</b>	<b>0</b>	<b>14,845,511,880</b>

**TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**

**NOTES TO ACCOUNTS - 31.12.2017**

(Contd...)

(Expressed in Sri Lankan Rupees)

	<u>31.12.2017</u>	<u>31.12.2016</u>
<b>6. INVESTMENTS</b>		
Treasury Deposits	354,000,000	354,000,000
Fixed Deposit - People's Bank	5,600,000,000	0
Government Securities under Re-Purchase Agreement	<u>0</u>	<u>0</u>
	<b>5,954,000,000</b>	<b>354,000,000</b>
Interest Receivable on Fixed Deposits & REPO	<u>267,020,046</u>	<u>3,097,404</u>
	<b><u>6,221,020,046</u></b>	<b><u>357,097,404</u></b>
<b>7. MOBILIZATION ADVANCE PAYMENT</b>		
Mobilization Advance Payment - (LOTUS TOWER)	832,687,828	1,092,602,866
Mobilization Advance Payment - (IT PARK)	<u>157,081,430</u>	<u>229,136,568</u>
	<b><u>989,769,257</u></b>	<b><u>1,321,739,434</u></b>
<b>8. ACCOUNTS RECEIVABLE</b>		
CESS Receivable	408,978,695	397,538,451
TDC Receivable	911,312,704	1,208,927,093
Levy on OLAC Receivable	53,403,552	72,880,642
Telecom. Levy Receivable	1,635,306,264	1,892,659,609
Kokavil Tower Recoverable	94,308,595	91,665,480
Outstanding Staff Loans Recoverable	2,547,337	2,547,337
Kokavil Lease Rental Receivable A/C	1,536,292	13,294,668
Short Code Receivable	0	20,433
Trade Debtors	<b>08 A</b> <u>3,231,627,673</u>	<u>2,870,904,371</u>
	<b><u>6,339,021,114</u></b>	<b><u>6,550,438,085</u></b>

**TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**  
**NOTES TO ACCOUNTS - 31.12.2017** (Contd...)  
*(Expressed in Sri Lankan Rupees)*

	<u>31.12.2017</u>	<u>31.12.2016</u>
<b>08 A. Trade Debtors</b>		
Radio Frequency Fees	3,603,995,092	3,212,914,856
Armature Radio License Fees	43,614	44,783
	<b>3,604,038,706</b>	<b>3,212,959,639</b>
<i>Less - Provision for Bad Debtors **</i>	<i>(372,411,033)</i>	<i>(342,055,268)</i>
	<b><u>3,231,627,673</u></b>	<b><u>2,870,904,371</u></b>

**Note: (1)**

**Provision for Bad Debtors**

	<u>Debtors</u>		<u>Provisions</u>
More Than 02 Years	371,451,570	100%	371,451,570
More Than 01 Year Less Than 02 Years	9,594,627	10%	959,463
More Than 6 Months & Less Than 01 Year	3,354,837	0%	0
More Than 2 Months & Less Than 6 Months	137,056,788	0%	0
More Than 01 Month & Less Than 2 months	1,400,531,132	0%	0
Less Than 01 Month	1,682,049,752	0%	0
	<b>3,604,038,706</b>		<b>372,411,033</b>

**Note: (2)**

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

**9. PREPAYMENT AND ADVANCE**

Special Advances	575	575
Festival Advances	217,000	210,000
Purchase Advances	132,140	186,140
	<b>349,715</b>	<b>396,715</b>

**10. LOANS AND OTHER RECEIVABLES**

Distress Loans	36,930,236	27,999,773
Motor Vehicle Loans	114,882,989	98,511,236
Property Loans	2,053,446	2,702,529
Motor Cycle Loans	348,401	487,546
Salary Deduction Recoverable	20,648	27,655
Other Receivables	2,066,122	2,056,122
General Insurance Claim Receivable A/C	0	21,500
CEB Security Gurantee Deposit A/C (IT Park)	125,000	125,000
	<b>156,426,841</b>	<b>131,931,361</b>

**TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**  
**NOTES TO ACCOUNTS - 31.12.2017**  
*(Expressed in Sri Lankan Rupees)*

*(Contd...)*

		<b>31.12.2017</b>	<b>31.12.2016</b>
<b>11. CASH &amp; CASH EQUIVALENTS</b>			
Cash at Bank	<b>11 A</b>	210,286,330	7,986,416
Cash in Hand	<b>11 B</b>	70,000	55,000
Money Market Saving Account		5,414,135,038	12,055,152,097
		<b>5,624,491,369</b>	<b>12,063,193,512</b>
<b>11 A. CASH AT BANK</b>			
People's Bank - Narahenpita Branch, (Deposit Account)			
A/c No.119402113960300 (RFC USD 0032)		87,987,394	84,512,221
People's Bank - Narahenpita Branch, (Collection Account)			
Current A/c No.119-1-001-4-3693169		88,545,068	(115,434,747)
People's Bank - Narahenpita Branch, (ITO Levy)			
Current A/c No. 119-1-001-3-3693264		379,303	204,298
Bank of Ceylon - Narahenpita Branch			
Current A/c No.2323167		33,374,566	38,704,643
		<b>210,286,330</b>	<b>7,986,416</b>
<b>11 B. CASH IN HAND</b>			
Petty Cash - Head Office		10,000	10,000
Petty Cash - Admin & HR Division		5,000	5,000
Petty Cash - Kokavil		10,000	10,000
Petty Cash - Lotus Tower		25,000	25,000
Petty Cash - DG Office		15,000	0
Petty Cash - Compliance		5,000	5,000
		<b>70,000</b>	<b>55,000</b>
<b>12. GOVERNMENT CONTRIBUTIONS</b>			
World Bank Credit Agreement		298,572,434	298,572,434
United Nations Development Program		19,533,906	19,533,906
Other Government Contributions		208,108,404	208,108,404
		<b>526,214,744</b>	<b>526,214,744</b>
<b>13. RETENTION</b>			
Retention - Lotus Tower		0	790,916,803
Retention - IT Park		46,152,801	88,281,496
		<b>46,152,801</b>	<b>879,198,298</b>

Retention released as per the condition of contract and submission of irrevocable demand bank guarantee from HSBC, upon the recommendation and approval of Project Consultancy Unit (PCU) and acknowledgement of Cabinet Appointed Negotiation Committee (CANC).

**TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**  
**NOTES TO ACCOUNTS - 31.12.2017**  
*(Expressed in Sri Lankan Rupees)*

*(Contd...)*

	<u>31.12.2017</u>	<u>31.12.2016</u>
<b>14. GRATUITY BENEFITS</b>		
Provision for Gratuity	49,963,007	43,596,474
Fixed Deposit (Gratuity)	(43,600,000)	(41,000,000)
<b>Net Benefit Liability</b>	<b><u>6,363,007</u></b>	<b><u>2,596,474</u></b>
<b>15. ACCOUNTS PAYABLE</b>		
<b>ACCRUED EXPENSES</b>		
Telephone - Office	811,017	1,286,332
- Bungalow	223,079	0
Salaries Control	11,884	134,543
Salaries Payable	216,634	216,384
W & O.P. Payable	2,991	2,991
Electricity	1,019,198	2,670,660
Water	86,505	43,978
Janitorial Services	648,438	602,691
Security Services	2,000,000	1,782,235
Overtime	1,321,907	1,578,169
E.P.F	3,303,928	2,826,964
E.T.F	397,020	338,397
Internet	506,262	356,466
Medical Insurance Claims	250,995	250,995
Travelling & Subsistence Payable	2,200	19,460
Staff Welfare	272,737	246,342
News Papers & Notifications	30,040	43,325
Audit Fees	1,267,460	1,278,110
Lease Rental	0	624,984
Bonus	33,782,946	19,774,777
Retention	40,595	40,595
Comm.Gen.IR (ESC, NBT & Stamp Duty)	66,309,297	49,092,689
Salary Deductions	132,214	228,055
Repairs & Maintenance	23,227,871	0
Air Ticket Payable	154,480	112,120
Stamp Duty Payable	1,495,449	1,033,933
PAYE Payable (Commission Members Allowances)	3,245,758	2,055,248
Miscellaneous	0	1,176,166
Provision for Income Tax	34,964,188	375,530,411
Misc. Purchase & Supplies Payable	1,629,429	0
Annual Subscription Payable	545,611	0
Consultancy Payable	285,000	0
Over Recoveries of Staff Loan	157,010	0
Fuel Payable	265,943	0
Printing & Stationery Payable	2,242,831	0
	<b><u>180,850,917</u></b>	<b><u>463,347,017</u></b>



**TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**  
**NOTES TO ACCOUNTS - 31.12.2017**  
*(Expressed in Sri Lankan Rupees)*

*(Contd...)*

	<u>31.12.2017</u>	<u>31.12.2016</u>
<b>16. <u>ADVANCES, DEPOSITS AND OTHER PAYABLES</u></b>		
Revenue Received in Advance	8,193,005,490	3,937,101,869
Refundable Deposits for Tender	1,508,167	1,546,667
Refundable Deposits - Employees	2,086,843	2,086,843
Advances Received for 1800 MHz Band	57,500,000	57,500,000
ICT for Effective Disaster Management Summit	34,210	34,210
Ins.claim for damaged Antenna	25	25
Over recovery of Frequency Licence Fee	2,101,870	1,748,731
C.T.O Telecenter Project	924,492	924,492
VAT Control Account	100,761,116	32,931,752
Construction Creditors	751,650	751,650
	<b><u>8,358,673,863</u></b>	<b><u>4,034,626,238</u></b>
<b>17. <u>PAYABLE TO TREASURY</u></b>		
50% TDC Payable to Treasury	455,656,465	604,463,546
Levy on OLAC Payable to Treasury	53,403,552	72,880,642
Telecom Levy Payable to Treasury	1,635,306,265	1,892,659,611
	<b><u>2,144,366,283</u></b>	<b><u>2,570,003,799</u></b>
<b>18. <u>INCOME</u></b>		
Income - License Fees	<b>18 A</b> 18,286,520,005	15,859,309,005
Telecommunications Levy	29,133,386,810	30,346,376,676
Telecom Development Charges	<b>18 B</b> 6,217,860,564	8,690,591,326
Levy on Out Going Local Access Charges	730,277,739	1,127,678,211
	<b><u>54,368,045,117</u></b>	<b><u>56,023,955,218</u></b>
<b>18 A. <u>INCOME - LICENSE FEES</u></b>		
System Operator License Fees	690,142,880	1,751,344,170
Cess Fees	4,211,919,781	4,067,179,362
Radio Frequency Fees	6,861,209,627	7,496,092,897
Frequency Upfront Fees	4,509,183,673	367,346,939
Vendor License Fees	13,663,749	14,770,619
Amateur Radio License Fees	29,345	72,958
Ship Station License Fees	440,142	892,001
Aircraft Station License	396,266	1,169,944
Cordless Phone Dealer Charges	109,217,025	90,760,198
Examination Fees	457,819	417,138
Application Processing Fees	1,428,572	1,632,651
Short Code Charges	27,704,056	19,387,755
Sundry Income - <b>18 A (1)</b>	2,272,461,943	2,295,412,016
	<b><u>18,698,254,879</u></b>	<b><u>16,106,478,647</u></b>
<i>Less:</i> Nations Building Tax	(411,734,874)	(247,169,642)
	<b><u>18,286,520,005</u></b>	<b><u>15,859,309,005</u></b>

**TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**  
**NOTES TO ACCOUNTS - 31.12.2017**

(Contd...)

(Expressed in Sri Lankan Rupees)

	<u>31.12.2017</u>	<u>31.12.2016</u>
<b>18 A(1). <u>SUNDRY INCOME</u></b>		
Interest Income from Staff Loans	6,047,699	5,429,347
Interest Income from Fixed Deposits	2,027,097,093	1,964,452,870
Interest Income from REPO	0	136,562,247
Interest Income from Money Market Transactions	209,981,046	166,266,227
Kokavil Lease Rental	12,348,475	21,167,983
Gain / (Loss) on Disposal of Fixed Asset	0	376,850
Other Income - Miscellaneous	987,631	1,156,492
Recovery of Film & Tele	16,000,000	0
	<u><b>2,272,461,943</b></u>	<u><b>2,295,412,016</b></u>
<b>18 B. <u>TELECOMMUNICATION DEVELOPMENT CHARGES (TDC)</u></b>		
TDC Revenue	6,217,860,564	8,690,591,326
	<u><b>6,217,860,564</b></u>	<u><b>8,690,591,326</b></u>
<b>19. <u>REGULATORY EXPENSES</u></b>		
ITU Annual Subscription	24,727,919	24,876,586
APT Annual Subscription	2,370,835	2,278,072
SAFIR Annual Subscription	545,611	604,416
Contribution to SATRC	2,315,430	0
Library Annual Subscription	0	15,000
CTO Annual Subscription	5,000,836	3,997,302
Participating in Regulatory Affairs Work	18,051,265	22,228,930
Filing & Depending Court Actions	3,783,278	3,339,278
Survey for Payphone Industry	0	4,796
Net Internet Safe Child	4,110	487,646
Miscellaneous Regulatory Expenses	1,175,537	1,652,713
Communication Facilities for People with Special Needs	0	1,054,244
Economic Social Responsibility	825,000	101,575,000
Visiting of Foreign Delegates	219,387	413,542
Development of ICT Practices	0	55,550
Lotus Tower Project	126,121	209,531
Traveling & Subsistence for Regulatory Affairs	1,788,052	1,398,719
Hosting Int-Conference	5,924,234	0
	<u><b>66,857,614</b></u>	<u><b>164,191,324</b></u>

**TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**  
**NOTES TO ACCOUNTS - 31.12.2017**  
*(Expressed in Sri Lankan Rupees)*

*(Contd...)*

	<u>31.12.2017</u>	<u>31.12.2016</u>
<b>20. ADMINISTRATION &amp; ESTABLISHMENT EXPENSES</b>		
Salaries	159,514,188	134,208,108
E.P.F. (15% Contribution)	22,456,336	19,310,021
E.T.F. (3% Contribution)	4,564,951	4,586,673
Transport Allowance	18,581,767	18,756,408
House Rent Allowance	13,313,846	11,681,493
Other Allowances	1,532,366	1,553,687
Performance Incentive	33,261,744	29,097,764
Special Allowance	139,567	531,589
Additional Allowance	9,142,552	23,585,722
Bonus	27,085,968	12,549,822
Overtime	13,925,559	10,257,964
Chairman's Remuneration	400,000	1,200,000
Unutilized Vacation Leave	9,773,331	11,317,504
Commission's Contribution for Pension	2,569,049	485,815
Bungalow Telephones	2,813,275	2,778,853
Uniforms	504,127	474,511
Staff Welfare	10,469,038	8,422,002
Development of Sports Activities	2,120,947	887,567
Staff Professional Membership Subscript.	484,198	417,935
Local Training	1,919,716	1,376,700
Commission Members Allowance	262,500	175,000
Audit Committee Allowances	110,000	150,000
Housing Loan 2/3 Interest Reimbursement	4,210,790	3,137,421
Travelling & Subsistence	20,325	246,277
Gratuity	3,115,425	3,260,668
Electricity	13,788,075	13,879,419
Water	715,682	744,517
Janitorial Services	5,196,220	5,141,810
Security	10,454,599	8,399,435
Rates & Taxes	142,839	917,093
Library Books	0	167,125
Printing and Stationery	7,904,072	8,052,509
Fuel	2,819,109	2,714,740
Electrical Goods	0	132,950
Postage	814,290	879,546
Telephone, Fax and PABX	7,423,220	7,272,401
Insurance (Property & Medical)	44,492,883	46,605,122
Internet Charges	3,261,138	4,612,123
Newspapers & Notifications	5,598,646	4,406,543
Consultancy fees	385,000	0
Seminars & Conferences	1,005,852	412,102

**TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**  
**NOTES TO ACCOUNTS - 31.12.2017**

(Contd...)

(Expressed in Sri Lankan Rupees)

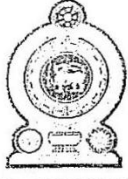
	<u>31.12.2017</u>	<u>31.12.2016</u>
Audit Fees	600,000	600,000
Legal Expenses/Deciplinary Inquiries/Preliminary Investigation	378,680	417,504
Rentals for Leased Premises	1,665,554	442,660
Depreciation	98,459,127	95,280,094
Amortization	3,333,800	6,036,938
Administration Miscellaneous	704,127	376,522
Purchases & Supplies Miscellaneous	969,352	1,069,214
Operating Cost Miscellaneous	61,490	868,384
Office Equipment Maintenance	1,513,406	2,494,583
Elevator Maintenance	1,118,417	585,000
Generator Maintenance	62,438	226,008
Vehicle Maintenance	4,751,277	4,774,022
Building Maintenance	1,460,319	4,905,172
Technical Equip. Maintenance	2,614,209	1,572,029
Software Maintenance & Development	43,610,724	19,624,833
Monitoring System Upgrade	697,701	3,575,804
Towers Maintenance	253,996	739,294
Miscellaneous Repair & Maintenance	26,000	0
Ex-gratin Payment	143,300	0
	<u><b>608,717,107</b></u>	<u><b>548,374,998</b></u>
<b><u>21. FINANCE &amp; OTHER EXPENSES</u></b>		
Bank Charges	256,651	272,329
Stamp Duty	0	600
Interest on Gratuity Provision	3,917,840	2,809,761
	<u><b>4,174,491</b></u>	<u><b>3,082,690</b></u>
<b><u>22. CONTRIBUTION TO THE CONSOLIDATED FUND</u></b>	<b>22-1</b>	
Contribution under Telecommunication Act for the Year Ended 31.12.2017	7,800,000,000	13,000,000,000
Contribution under Finance Act for the Year Ended 31.12.2017		
Telecommunication Levy Paid	29,133,886,819	30,343,930,211
50% Telecommunication Development Charges	3,108,930,282	4,345,295,663
Levy on OLAC Paid	730,277,739	1,127,678,211
	<u><b>40,773,094,840</b></u>	<u><b>48,816,904,084</b></u>
<b><u>CONTRIBUTION UNDER TELECOMMUNICATION ACT</u></b>	<b>22-2</b>	
Out of total comprehensive income for the year ended 31.12.2016	<u><b>15,000,000,000</b></u>	<u><b>15,000,000,000</b></u>

**TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**  
**NOTES TO ACCOUNTS - 31.12.2017**  
*(Expressed in Sri Lankan Rupees)*

*(Contd...)*

	<u>31.12.2017</u>	<u>31.12.2016</u>
<b>23. CASH GENERATED FROM OPERATIONS</b>		
<b>Net profit before tax</b>	<b>53,576,471,208</b>	<b>55,341,721,121</b>
<i>Adjustments for</i>		
Depreciation on Property, Plant and Equipment	98,459,127	101,317,032
Provision for Bad & Doubtful Debtors	30,355,765	(30,742,498)
Retirement benefit obligation	3,115,425	3,260,668
Interest income from Fixed Deposit & REPO	(2,027,097,093)	(2,101,015,117)
Interest Income from Money Market Transactions	(209,981,046)	(166,266,227)
Interest cost on retirement benefit obligation	3,917,840	2,809,761
Gain on Foreign Currency Transactions	81,468,932	(2,672,418)
Gain on Disposal of Fixed Assets	0	(376,850)
<b>Changes in Working Capital</b>		
Accounts Receivable	<b>23-1</b> 181,061,207	(698,741,648)
Prepayment and Advance	47,000	4,927,575
Loans and Other Receivables	(24,495,480)	147,087,176
Accounts Payable	<b>23-2</b> 58,070,122	(15,976,728)
Advances, Deposits and Other Payables	4,324,047,625	(851,484,766)
Payable to Treasury	(425,637,516)	(158,877,668)
<b>Cash generated from operations</b>	<b><u>55,673,136,915</u></b>	<b><u>51,574,969,413</u></b>
<b>23-1. ACCOUNTS RECEIVABLE</b>		
Cess receivable	408,978,695	397,538,451
TDC receivable	911,312,704	1,208,927,093
Levy on OLAC receivable	53,403,552	72,880,642
Telecom levy receivable	1,635,306,264	1,892,659,609
Kokavil tower recoverable	94,308,595	91,665,480
Outstanding staff loan recoverables	2,547,337	2,547,337
Air ticket receivable	0	0
Radio frequency fees	3,603,995,092	3,212,914,856
Kokavil Lease Rental Receivable	1,536,292	13,294,668
Short Code Receivable	0	20,433
Amature radio license fees	43,614	44,783
Mobile operater levy	0	0
	<b><u>6,711,432,147</u></b>	<b><u>6,892,493,354</u></b>
	<b><u>181,061,207</u></b>	<b><u>(698,741,648)</u></b>
<b>23-2. ACCOUNTS PAYABLE</b>		
As per Statement of Financial Position	180,850,917	463,347,017
<b>Less:</b> Provision for Income Tax	(34,964,188)	(375,530,411)
	<b><u>145,886,728</u></b>	<b><u>87,816,606</u></b>
	<b><u>58,070,122</u></b>	<b><u>(15,976,728)</u></b>

REPORT OF THE  
AUDITOR GENERAL



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தேசிய கணக்காய்வு அலுவலகம்  
NATIONAL AUDIT OFFICE



මගේ අංකය  
எனது இல.  
My No. }

CMU/A/TRC/01/17/11

ඔබේ අංකය  
உமது இல.  
Your No. }

දිනය  
திகதி  
Date }

02 October 2018

The Chairman,  
Telecommunications Regulatory Commission of Sri Lanka

Report of the Auditor General on the Financial Statements of the Telecommunications Regulatory Commission of Sri Lanka for the year ended 31 December 2017 in terms of Section 14(2) (c) of the Finance Act, No.38 of 1971

The audit of Financial Statements of the Telecommunications Regulatory Commission of Sri Lanka for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 and the profits and losses and comprehensive income statement, the statement of changes of equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carry out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 22(a) (2) of the Sri Lanka Telecommunications (Amendment) Act, No. 27 of 1996. My comments and observations which I consider should be published with the Annual Report of the Commission in terms of Section 14(2) (c) of the Finance Act appear in this report. A detailed report in terms of Section 13(7) (a) of the Finance Act was issued to the Chairman of the Commission on 31 July 2018.

1.2 Management's Responsibility for the Financial Statements

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The management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal

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

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control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud and error.

### 1.3 Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. And audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

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





1.4 Basis for Qualified Opinion

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

2. Financial Statements

-----

2.1 Qualified Opinion

-----

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

2.2 Comments on Financial Statements

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2.2.1 Sri Lanka Accounting Standards

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Following non-compliances to the Sri Lanka Accounting Standards were observed during the course of audit.

(a) Sri Lanka Accounting Standard 01

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Even though expenses should be shown in the financial statements by the entity according to the nature of expenses or the relevance to the functions of the entity as per Section 99 of the Standard, a sum of Rs. 825,000 incurred on activities

extraneous to the functions of the Commission had been shown in the financial statements as regulatory expenses.

(b) Sri Lanka Accounting Standard 16

-----

The fully depreciated fixed assets amounting to Rs. 9,562,937 continued to be used due to non-reviewing the useful life of the non-current assets annually as per the paragraph 51 of the standard. Accordingly, action had not been taken to revise the estimated error as per Sri Lanka Accounting Standard 08.

(c) Sri Lanka Accounting Standard 19

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(i) Even though interest income of fixed deposit of retirement benefit obligation amounting to Rs. 5,589,452 should be recognized in the comprehensive income statement as per Section 57 (c) (iii), retirement benefit liability had been overstated and profit of the year had been understated since it had been credited to the retirement benefit obligation account.

(ii) Further, interest income in respect of the fixed deposit had been added to the investments of the commission without adding to that asset.

### 2.2.2 Accounting Deficiencies

-----

The following observations are made.

- (a) A sum of Rs. 21,697,523 had been paid during the year 2018 for the period of 1 November 2017 to 31 October 2018 for software maintenance of the Frequency Management Maintenance Software (FMMS) Project and that total amount had been recognized as expenses and accrued expenses of the year under review.

However, expenses and accrued expenses of the year under review had been overstated by that amount since, a sum of Rs. 18,071,362 relevant to the financial year 2018.

- (b) Total of expenses amounting to Rs. 4,310,660 including consultancy fees for construction of Lotus Tower Project paid in year 2018 relevant to the year under review had not been recognized as accrued expenses.
- (c) Accumulated depreciation amounting to Rs. 2,855,310 had been recorded as at 31 December of the year under review by exceeding the cost of vehicle, since depreciation for year 2010 to 2014 had not been correctly identified for the Rs. 1,795,000 worth of vehicle purchased in year 2010.
- (d) Since computer software purchased during the year amounting to Rs. 4,866,987 had been recorded twice, computer software had been overstated by that amount in the financial statements and credit entry of that had been deducted from office equipment renovation and maintenance account. Therefore net profit of the year under review also overstated by Rs. 4,866,987 in the financial statements.

### 2.2.3 Un-explained Differences

-----

The following observations are made.

- (a) Even though the liable turnover for the Nation Building Tax and Economic Service Charge amounting to Rs. 20,586,730,761 as per the tax payment schedules, it was Rs. 20,681,696,557 as per the financial statements and which shows a difference amounting to Rs. 94,965,796. However, reconciliation statements had not been prepared for that.



- (b) Even though balance of Value Added Tax control account amounting to Rs. 100,761,116 as at 31 December of the year under review, it was amounting to Rs. 113,182,122 as per tax schedules. Hence difference was Rs. 12,421,006.

### 2.3 Accounts Receivable and Payable

-----

The following observations are made.

- (a) Surcharge payable of Rs. 813,505 for the delay payment of Telecommunication Development Charges amounting to Rs. 6,779,212 by a Government Owned Company had not been paid even as at 16 July 2018.
- (b) Operator License fees from a telecommunication operator amounting to Rs. 7,621,129 had not been collected during the year under review.
- (c) Action had not been taken to calculate and collect the installments receivable from year 2012 from 4 operators in government sector and a one operator in private sector who use the Kokavil Antenna and Transmission Tower and agreements had not been signed with those operators.

In addition to that, electricity bill amounting to Rs. 93,846, 873 had not been recovered for the period of January 2012 to 31 December 2017 from another 4 entities who use the Kokavil Antenna and Transmission tower.

- (d) Out of the debtor balance amounting to Rs. 3,604,038,706 at the end of the year under review as per financial statements, a sum of Rs. 371,451,570 was the debtor balances more than 2 years and within that there were Rs. 197,130,954 debtor balances more than Rs. 1 million, that ranging from 9 to 26 years period.



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

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Following non-compliances to the laws, rules and regulations were observed during the course of audit.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliances
(a) Section 11 of the Finance Act, No 38 of 1971 and Section 8.2.2 of Public Enterprise Circular, No. PED/12 dated 02 June 2003	A sum of Rs. 42,700,000,000 had been invested in fixed deposits by the Commission during the year under review without the approval of the Minister of Finance.
(b) Inland Revenue Act, No. 10 of 2006 and Public Enterprise Circular, No. 03/2016 dated 29 April 2016	Even though the PAYE tax should be remitted to the Department of Inland Revenue after being deducted from the salaries of the relevant officers, PAYE tax of Rs. 9,474,320 had been remitted from the funds of the Commission during the year under review contrary to that provision as previous years.
(c) Section 9.3.1 of the Public Enterprises Circular, No. PED/12 dated 2 June 2003.	Even though scheme of recruitment had been prepared and used for the recruitment of officers and employees of the Commission based on the commission approval, concurrence of the treasury had not been obtained.



- (d) Public Enterprises Circular, No.PED/27 dated 27 January 2005 Draft annual report had not been presented with the financial statements.
- (e) Assets Management Circular, No.01/2017 dated 28 June 2017 Even though, correct details of all assets under their own entity shall be presented by every public institution to the Comptroller General according to the relevant formats, Commission had not been done so.

## 2.5 Transactions not supported by adequate authorities

-----

Following observations are made.

- (a) Even though miscellaneous provisions had been made for deciding salary and allowances of the staff in the Acts of establishment of Government Corporations and Statutory Boards as per paragraph 1 of the management services circular, No. 39 dated 26 May 2009, recommendation of the salary and cadre commission and approval of the management services department should be obtained. However, a sum of Rs. 73,661,558 had been paid to the staff for the year under review as incentives, bonus and house rent allowances based on the decisions taken by the commission and internal circulars without obtaining that recommendation and approval.
- (b) Even though monthly travelling allowance of Rs.2, 000 for non-executive staff had been approved by No. NS CC/3/ABC/24 letter dated 1 June 2007 of National Salary and Cadre Commission, it had been paid Rs. 6000 each during the year under review.



### 03. Financial Review

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#### 3.1 Financial Results

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According to the financial statement presented, profit after tax of the commission for the year under review was Rs. 53,040,035,396 and corresponding to that the profit after tax of preceding year was Rs. 54,613,961,089, thus indicating decrease of Rs. 1,573,925,690 in financial result of the year under review compared to the preceding year. Decrease of the license fees income, telecommunication levy income, telecommunication development charges and levy on outgoing local access charges by Rs. 1,655,910,100 had mainly attributed to the decrease in the financial result.

When analyzing financial results of the year under review and 4 preceding years, even though excess of Rs. 46,937,880,323 in 2013 had increased up to Rs. 53,040,035,096 in year 2017, that indicating the decrease of Rs. 1,573,925,693 compared to the year 2016. Even though contribution of Rs. 47,643,341,372 after adjusting employe remuneration, tax paid to the government and depreciation for non-current assets in 2013, was Rs. 54,005,262,703 in 2017, it had been decreased by Rs. 1,728,987,321 compared to the year 2016.

#### 3.2 Analytical Financial Review

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



Description	31 December 2017	31 December 2016	Difference Increase/ (decrease)	Difference as a percentage
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Operator License fees	690,142,880	1,751,344,170	(1,061,201,290)	(61)
Frequency upfront fees	4,509,183,673	367,346,939	4,141,836,734	1,127
Interest Income on fixed deposit	2,027,097,093	1,964,452,870	62,644,223	3
Regulatory expenses	66,857,614	164,191,324	(97,333,710)	(59)
Levy on outgoing local access charges	730,277,739	1,127,678,211	(397,400,472)	(35)
Total Income	54,368,045,117	56,023,955,218	(1,655,910,101)	(3)
Total expenditure	791,573,908	682,234,096	109,339,812	16
Profit before tax of the year	53,576,471,208	55,341,721,121	(1,765,249,913)	(3)

- (a) Frequency upfront fees had been increased by 1,127 per cent due to the recovery of frequency upfront fees of Rs. 4,509,183,673 from 5 private institutions during the year under review.
- (b) Regulatory expenses had been decreased by 59 per cent due to the decrease of Economic Social Responsibility expenses by Rs. 100,750,000 as compared with the preceding year.
- (c) Levy on outgoing local access charges had been decreased by 35 per cent compared to the preceding year and use of smart phones, usage of over-the-top free mobile applications and changes in government tax policy had been caused to that decrease.





### 3.3 Legal proceedings instituted against the Commission

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The following observations are made.

- (a) Two external institutions had claimed compensation totaling Rs. 47,346,612,000 from the Commission due to the non-implementation of the frequency project and breach of contract agreement.
  
- (b) Contract agreement dated 28 July 2014 between Telecommunication Regulatory Commission and the Contractor of construction of telecommunication media center at Hambanthota IT Park had been ended at 10 August 2016 and Contractor had complained to the arbitration board against the decision of the Telecommunication Regulatory Commission to close the contract. Even though arbitration board had ordered to the Commission to pay a sum of Rs. 139,931,875 to the complainant as per the decision of the arbitration board, Commission had submitted for further arbitration in 14 December 2017 against that decision.

## 04. Operating Review

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### 4.1 Performance

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#### 4.1.1 Planning

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It is full responsibility of the Board of Directors to prepare a corporate plan at least for a period of 3 years and directing the activities to achieve proposed targets accordingly, since the activities of the commission should be managed with the short term and long term vision. However corporate plan and action plan of the Commission had been prepared and approved on 6 February 2018 after exceeding two months from the financial year.



#### 4.1.2 Performance and Review

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The following observations are made.

- (a) Net safe child Protection programme, installation of system for automate the frequency management division and performing research for telecommunication sector had not been done even during the year 2017 which should be done during the year 2016 and postponed to the year 2017.
- (b) Even though introducing procedure for automating frequency observation system had been postponed to the year 2017 which should implemented in year 2016, it had not been implemented. Director General had informed that allocations had not been obtained for this during the year under review, since there were no sufficient technical officers for implement, use and maintain the system.
- (c) Even though Cabinet approval had been obtain during the year 2014 for preparing National Equipment Identity Register for the usage of network operators by enabling transfer the details of blacklisted mobile phones between mobile phone network operators by the Commission on behalf of protecting customer, who use mobile phones, relevant activities had not been performed even as at the end of the year under review.

#### 4.2 Management Activities

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The following observations are made.

- (a) Even though cess fees should be paid before the 15 day of next month in accordance with the Section 22(g) of Telecommunication Act of Sri Lanka and notification published in the extra ordinary gazette, No. 1686/4 dated 27



December 2010 of Democratic Socialist Republic of Sri Lanka, cess fees had not been paid by a telecommunication operator for year 2016 and 2017, another operator for the year 2017 and one institute had paid cess fees on 15 March 2018 for October to December. Even though need of adding sections to the Telecommunication Act to enabling legal powers to impose a fine from operators who had defaulted to pay the cess fees or delay in making payments had been informed time to time through audit reports, amendment to the Act had not been done up to now. Further, report under the experts' co-operation programme had not been implemented due to the non-amendment to the Telecommunication Levy Act.

- (b) Even though Telecommunication Levy should be paid before the 15 day of the next month in accordance with the Telecommunication Levy Act, No.21 of 2011, levy and surcharge had not been charged from 3 operators and that charging period ranging from 5 months to 3 years.
- (c) An area of 50 per cent of land 112 acres, 1 rood and 10.5 perches in extent had been utilized by the divisional secretariat Katana and relevant actions had not been taken for this by the management.

#### 4.3 Operating Activities

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Even though agreement had been entered with the foreign Company in year 2014 for the implementation of Digital Terrestrial Broadcasting Network Project, this project had not been implemented even up to 16 July 2018. As reasons for non-implementation of the project, Director General informed that Cabinet approval had not been given which gives responsibility to the Commission by legally relates to the project and project implementation entity (DBNO) had not been established up to now.



#### 4.4 Transactions of contentious nature

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The following observations are made.

- (a) Even though Cabinet approval should be obtained to give donations as per Section 8.3.8 of the Public Enterprises Circular, No.PED/12 dated 2 June 2003, a sum of Rs. 300,000 and Rs. 500,000 had been paid for the annual general meeting of the Sri Lanka Administrative Service Union and Sri Daladha Perahera of Jayawardhanapura Kotte Rajamaha Viharaya respectively.
- (b) For the production of a film and a tele drama, an activity that was unlikely to be in line with the objective of the Commission, a sum of Rs. 32,192,177 and Rs. 7,160,400 had been paid in 2015 to the producer and director respectively on approval of the Commission and out of the money expended for the film a sum of Rs. 26,400,000 had been returned by the film director as at 12 January 2018. Tele drama had not been telecasted even as at audited date of 16 July 2018 and original copy was taken back by the Commission. However a sum of Rs. 5,792,177 and Rs. 7,160,400 should be recovered for the film and tele drama respectively.
- (c) Even though the rented building in London place by the Commission had been returned in year 2015, deposit money amounting to Rs. 1,350,000 had not been obtained even as at 16 July 2018.
- (d) A sum of Rs. 7,999,125 had been expensed from the commission fund for family get together of officers of the commission for year 2017.



#### 4.5 Personnel Administration

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The following observations are made.

- (a) Even though the approved cadre of the Commission as at 31 December of the year under review was 299, the actual cadre was stood at 206. There were 98 vacancies and 5 in excess. Even though Director General had informed that the essential recruitments have been made and changes to be done to the approved cadre, organizational structure and rules of recruitments being done, those activities had not been completed even as at 16 July 2018.
- (b) Two posts of Assistant Accountant in permanent basis and one Project Consultant post in contract basis had been recruited which were not included to the approved cadre.
- (c) Monthly salary of Rs. 114,400 and fuel allowance amounting to Rs. 22,000 had been paid for a one year from 9 October 2017 in respect of the post of project consultant in ad hoc basis for a person who fulfilled the qualifications for project assistant post.

#### 5. Sustainable Development

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##### 5.1 Achievement of Sustainable Development Goals

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The following observations are made.

- (a) Every public institution should act in compliance with the United Nations Sustainable Development Agenda for the year 2030 and with respect to the year under review, Telecommunication Regulatory Commission of Sri Lanka had been



aware as to how to take measures relating to the activities under purview of their scope.

- (b) When achieving the targets of covering telecommunication activities within every rural area by 2030 for promoting telecommunication information technology based on the sustainable development goals, milestones had not been identified which were essential to monitor the relevant activities.
- (c) Financial provisions had not been identified based on the sustainable development goals and targets to achieve the sustainable development goals in year 2016 and 2017.

## 6. Accountability and Good Governance

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### 6.1 Tabling of Annual Reports

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Annual Report for the year 2015 and 2016 had not been tabled in Parliament even as at 16 July 2018 as per Section 6.5.3 of the Public Enterprises Circular, No. PED/12 dated 2 June 2003.

### 6.2 Budgetary Control

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The following observations are made.

- (a) Even though draft budget should be approved before 3 months of starting the financial year as per Section 8(1) of the Finance Act, No.38 of 1971, it had been approved on 14 February 2017.
- (b) The variance ranging from 11 per cent to 79 per cent were observed between the budgeted values and the actual values. Further 9 expenses amounting to Rs. 53.5



million were not included to the budget. Accordingly, it was observed that budget had not been used as an effective management control.

### 6.3 Unresolved Audit Paragraphs

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The following observations are made.

- (a) Even though order was given to submit a report to the Committee within one month including profits obtained through the use of the entity's funds for the construction without obtaining a loan as per order No. 9 issued by the Committee of Public Enterprises dated 23 June 2016, it had not been presented even as at 16 July 2018.
- (b) Even though Committee on Public Enterprises was emphasized on 23 June 2016 to perform the internal audit in respect of the construction of Lotus Tower, it had not been done even as at 16 July 2018.

### 6.4 Procurement and Contract Process

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#### 6.4.1 Procurement

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The following observations are made.

- (a) The following matters were revealed when checking the procurement plan.
  - (i) Even though procurement plan should be prepared and approved before starting the year, procurement plan prepared for the year 2017 had been approved on 28 November 2017 after spending 11 months from the starting of the financial year.



- (ii) Out of the procurements checked, two procurements amounting to Rs. 50,769,759 had not been included to this procurement plan.
  - (iii) Procurement time schedule had not been prepared and act accordingly as per Section 4.2.3 of the Procurement Guideline.
- (b) Only the Value Added Tax should be separately identified as per Standard Bidding Document and other taxes and fees should be showed by adding to the bid price. This guideline had not been included to the bid document.
- (c) Competitive bid prices were called to obtain the Microsoft Office 365 license 2016/2017 and bids were presented by 5 entities. The procurement had been awarded to an entity who submitted the bid amounting to Rs. 4,866,988 with Value Added Tax by recommending it had fulfilled the all requirements. Following observations are made in this regard.
- (i) While recommending an entity on 15 September 2017 by the technical evaluation committee after evaluation, rejecting that recommendation on 20 September 2017 and informed to the technical evaluation committee to select qualified bidder out of the remaining bidders by the procurement committee by giving reasons as that entity presented the bid contrary to the conditions was questionable during the course of audit.
  - (ii) Even though bid should be rejected without detail evaluation by considering the major deviations of not giving material bid security as per bid conditions and not having required qualification as per Section 7.8.4 of the Procurement Guideline, that entity had been selected as winning bidder and procurement had been awarded on 28 September 2017.
- (d) Bids had been called from 3 government institutions on 14 August 2017 to obtain employee life and medical insurance of the commission for year 2017/2018 and





general insurance for property, plant & equipment and 2 two entities had presented the bids. In here, lowest bid presented by Sri Lanka Insurance Corporation amounting to Rs. 49,663,655 had been selected. Following observations are made in this regard.

- (i) Even though all bidders who participated to the bidding process should present a bid security as per the bid conditions, procurement awarded entity had not presented such a security.
- (ii) Even though performance security of 10 per cent of the bid value should be presented as per conditions of the bid documents, it had not been presented.

#### 6.4.2 Deficiencies in contract administration

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Lotus Tower Project  
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Lotus tower construction contract had been awarded to the two Chinese Companies as per Cabinet decision No. 10/2473/401/031 dated 29 October 2010 and Company had entered in to the agreement amounting to US \$ 104,300,000 on 3 January 2012. Contract should be completed by 912 days from 12 November 2012 to 12 May 2015 as per agreement. Following observations are made in this regard.

(a) Payment of commitment fees for the loan  
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- (i) First loan amount had been disbursed on 19 August 2013 by a EXIM bank which is a private bank of china and disbursement period of total loan amounting to American US \$ 88,655,000 will be end as at 18 August 2016. However out of the total loan amount, only US \$ 43,746,097 representing 49 per cent had been disbursed as at that date, since progress of the construction was in lower level. Accordingly, additional

commitment fee had been paid for the unutilized loan amount for the period of 19 August 2016 to 27 October 2017 was amounting to US \$ 322,984 due to the non-implementation of project construction works as at scheduled date.

- (ii) Even though total loan amount disbursed by the EXIM bank had been limited to the US \$ 67,259,754 due to the expiration of loan agreement, commitment fees amounting to US \$ 636,508 had been over paid due to the use of total loan amount for the calculation of commitment fees from the initiation.

(b) Transfer the ownership of the land

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- (i) Even though action had not been taken to transfer the land by the entity as per Cabinet decision No. CP/ 11/2262/501/026/TBR dated 14 December 2011, land had not been transferred to the Commission by the Urban Development Authority.
- (ii) Even though it was mentioned that the Urban Development Authority should take immediate action to obtain initial ownership of the lands belongings to department of post, Sri Lanka port authority and railway department within 6 months and transfer that lands to the Telecommunication Regulatory Commission within one year as per the Section 3 of the Memorandum of Understanding entered in to 23 January 2012 between Telecommunication Regulatory Commission of Sri Lanka and Urban Development Authority contrary to the Cabinet decision.

(c) Delay in construction

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- (i) Even though approval had been given for extend the contract period up to October 2017 as per Commission decision No. 2K15.217.02(2) dated 28

August 2015 after the expiration of contract period of construction of Lotus Tower, construction had not been completed even as at 31 July 2018.

- (ii) Delay damages for a day was 0.05 per cent from original agreement value and maximum delay damages was 10 per cent of the contract value. Accordingly delay damages could be charged only for 200 days.

(d) Installation of Elevators and Escalators

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- (i) While recommending “OTIS” and “KOYO” brand names by the Project Consultancy Unit for elevators and escalators through letters dated 19 September 2014 and 17 October 2014, reason for recommending “Fujitec” brand name for the elevators and escalators excluding L4 & L8 by project consultancy committee report dated 11 December 2014 had not been revealed to the audit. Director General of the entity had informed that Telecommunication Regulatory Commission cannot express an agreement or refusal in respect of that.
- (ii) Even though Commission had given the approval to award to the “Fujitec” on 29 March 2016 for implementation of 8 elevators and 8 escalators including L4 and L8, recommendation had not been obtained from the Project Consultancy Unit.
- (iii) Suggestions given by the two president consultants and information included in the report called from University of Peradeniya for selecting sub-contractor for the installation of elevators and escalators by spending Rs. 1,000,000 had not been considered.
- (iv) Contract had been awarded on 31 March 2016, after spending 2 years and 8 months which started in August 2013 for selecting sub-contractor for

elevators and escalators and that delay in procurement had been mostly affected on delay in construction of Lotus Tower.

- (v) Even though installation of 6 elevators and 8 escalators should be completed before 30 April 2017, only that equipment had been supplied to the work place as at 28 June 2017. Even though installation and implementation of all elevators and escalators should be completed as at 30 September 2017, it had not been completed even as at 11 May 2018.

(e) Payment of consultancy fees

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Approval had been given for obtaining the consultancy service as per Commission decision No. 2K13.DC.199H dated 6 February 2013 for Commission paper No. DC/1994 which presented based on the Cabinet decision No. 10/2473/401/031 dated 27 October 2010. Accordingly, agreement had been signed for obtaining consultancy services between Telecommunication Regulatory Commission of Sri Lanka and University of Moratuwa on 15 February 2013 and agreed to pay 1.5 per cent of the contract value amounting to Rs.198, 691,500 as consultancy fees. Following observations are made in this regard.

- (i) Cabinet approval had not been taken for payment of this consultancy fees.
- (ii) It had been agreed to pay additional consultancy fees amounting to Rs. 3 million per month from November 2015 contrary to the above agreement. A sum of Rs. 240 million had been paid to the University of Moratuwa as at April 2018.

(f) Payment of Tax in respect of Lotus Tower Project

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- (i) Even though it had been informed that the responsibility of the Telecommunication Regulatory Commission of Sri Lanka and Contractor should be identified clearly within the contract agreement in respect of tax payment as per letter of Attorney General of Attorney General department dated 8 September 2011 which addressed to the Director General of the Commission, without identifying in that manner, it had been mentioned that during the execution of the contract, the contractor shall be free from any taxes, levies, duties and other charges levied inside the territory of Sri Lanka as per Section 23.2 and the employer shall be responsible for all the taxes, levies and duties imposed related to performance of the contract, in accordance with the Sri Lanka Law and Regulation as per 23.3 of the contract agreement.

Director General of the Commission had informed to the audit that the agreement or refusal cannot be stated in this situation in respect of this and consultancy service had being obtained from the Attorney General department in respect of legal status of the relevant sections.

- (ii) Even though payment should be done within the contract value of US \$ 104,300,000, in addition to that as per the above sections contractor had claimed from the Commission to recover Rs. 87,394,566 of Income tax and Rs. 11,175,734 of Pay As You Earn tax paid to the Inland Revenue department. However financial provision had not been taken for the payment of such a tax amount.

(g) Process after the completion of construction of Lotus Tower

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- (i) Even though approval had been given by the Cabinet decision No. 10/2473/401/031 dated 27 October 2010 to implement the following proposals, it could not be able to implement those proposals, since



Telecommunication Regulatory Commission of Sri Lanka not having powers to establish a Company as per Telecommunication Act of Sri Lanka, No. 25 of 1991 and Telecommunication (Amendment) Act, No. 27 of 1996.

- To negotiate and hand over the management of the proposed Colombo TV tower and entertainment center to a Management Consultancy firm.
- To form a Public Quoted Company “ Colombo TV Tower and Entertainment Center” owned by Telecommunication Regulatory Commission of Sri Lanka and list in the Colombo Stock Exchange and issue 30 per cent of the share capital to the public through an Initial Public Offering.

- (ii) Even though it had been implement to lease out the Colombo Lotus Tower to the Property Management Company, since there was no powers to establish a Company in the Telecommunication Act, Cabinet approval had not obtained for that even as at 16 July 2018.
- (h) Cabinet approval and ownership of the land had not been obtained even as at 16 July 2018 for construction of Vehicle Park which proposed to be construct based on the funds of Telecommunication Regulatory Commission of Sri Lanka not exceeding investment of Rs. 4 billion.

#### 8. Systems and Control

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



Area of Systems and Controls

Observations

(a) Budgetary Control	Budget had not been used as an effective management control.
(b) Control of Loans	Existence of loan balances that had remained outstanding for over a long period of time, and recovery of loans remained at a weak level.
(c) Revenue Control	Failure to obtain approval for sufficient legal provisions on the collection of revenue.
(d) Payment of Allowances	Payment of allowances on the decisions of the Commission for incentive, bonus, and house rent allowance without approval of the Treasury.
(e) Contract Administration	Delay in the construction of Lotus Tower.

Sgd. H.M. GAMINI WIJESINGHE  
Auditor General

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Auditor General

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