



TELECOMMUNICATIONS  
REGULATORY COMMISSION OF  
SRI LANKA

ANNUAL  
REPORT  
**2014**





**TELECOMMUNICATIONS  
REGULATORY COMMISSION OF  
SRI LANKA** | ANNUAL REPORT  
**2014**



## Chairman's Message

The world has become a global village with telecommunication becoming an indispensable tool in the entire process of globalization. Today the world is rapidly moving towards an economic system based on the continuous and ubiquitous availability of information which is critical to the social and economic activities that comprise the development process. Recent advances in telecommunications technology have been an important vehicle for information exchange. Telecommunications, as a means of sharing information, is not simply a connection between people, but a link in the chain of the development process itself. It is an encouragement for us to have a very sophisticated telecommunications industry which is making a substantial contribution to the development of our country. We are now moving steadily to harness the immense potential of telecommunication for the strengthening of peace and development.

Over the past decade or so, the telecommunication industry has been a fast growing area of Sri Lanka's economy, spearheaded by the mobile telephony segment. From less than 2 million subscribers in 2000, we have now more than 23 million fixed and mobile phone subscribers in the country exceeding the size of our population. The penetration rate which was only six percent in 2000 has risen to 119 percent in 2014. Affordability is one of the factors which has driven subscriber penetration. Sri Lanka is one of the countries having the cheapest voice and broadband tariffs in the world. Thanks to the interventions of the Telecommunications Regulatory Commission of Sri Lanka (TRCSL), Sri Lanka has successfully addressed the issue of affordability.

The boom of the telecommunications industry has not just created new jobs and revenues but also contributed to economic growth by widening markets, creating better information flow,

lowering transaction costs, and savings in transportation time. Therefore, telecommunication infrastructural development is essential for domestic economic growth and it is a prerequisite for participation in increasingly competitive world markets and for attracting new investments. Accordingly, the Government has placed heavy emphasis on the development of telecommunications infrastructure.

Our emphasis on telecommunication as a key path to peace and reconciliation is evident by the speed with which we restored the communication tower in Kokavil in the North, destroyed by the forces of terror. This Multi-functional Communication Transmission Tower has removed problems associated with telecommunication, television, radio, and communication services and has provided high quality and clear television, radio and telecommunication coverage to the Northern Province. Recently, we commenced construction of another Multi-functional Telecommunication Tower which will also accommodate an Entertainment Centre in the city of Colombo. It will give telecommunication operators the opportunity to share a modern and state-of-the-art infrastructure facility, taking us closer to becoming the Communications Hub of South Asia.

Along with the developments in the telecommunications sector, the Information and Communication Technology (ICT) sector also has grown significantly in the recent past. Sri Lanka recognizes the need for rapid progress in the field of ICT, a technology that is racing ahead with innovations and new applications that make our world smaller and happier each day.

With a view to providing ICT facilities to the younger generation several

programmes have been implemented giving priority attention to rural and remote areas of the country. It is noteworthy that the 'eENABLE' project of the TRCSL also has provided ICT facilities and ICT training for the empowerment and development of differently-abled and marginalized groups in the country. The National Broadband Initiative of TRCSL has recently joined hands with the Ministry of Education and service providers to provide high speed broadband Internet services to schools to link computer labs in the Island.

With the assets we have, Sri Lanka will not be left behind in this new Age of Knowledge. We are ready to forge ahead and encompass the new opportunities being opened daily by ICT. Sri Lanka has recorded positive growth in key ICT areas during recent years. In the past few years, our computer literacy has grown to more than 40 per cent. This upward trend is a clear indicator of the success of the plans and strategies adopted by the Government as a part of its vision of making Sri Lanka the Knowledge Hub in the Asian region. I am very confident that future of all our citizens, particularly that of our children and grandchildren, safe, prosperous and productive in a Sri Lanka that will soon be the Wonder of Asia.



**Lalith Weeratunga**  
Chairman



## Director General's Message

At present the Telecommunication Service in Sri Lanka has become an essential service for the economy. The reason is that the national and international commercial sectors are depending purely on the digital technology. In this respect The Telecommunications Regulatory Commission of Sri Lanka which was established under the act No. 25 of 1991 and amended by the Act No. 27 of 1996 is engaged in number of matters which are leading to uplift the telecommunication industry in Sri Lanka.

In the year 2014 too, through government and private sector participation, the Telecommunications Regulatory Commission has contributed a valuable service to the economic development of Sri Lanka. When it comes to year 2014, it has been generated 12,519 direct employment opportunities in the field of telecommunication while earning an income of Rs.178 billion in the year. The usage of mobile phones during the year 2014 was 22,123,000 and the increase was 28% which was a considerable increase, when compared with the year 2010. The usage of fixed access phones was 2,709,847 during the year 2014 and it was a decrease of 24% as against the year 2000. Although there was a decrease in usage of fixed access phones, the total usage of mobile and fixed access phones was in increase by 19% in the year 2014.

Introduction of short code numbers by the Telecommunications Regulatory Commission of Sri Lanka (TRCSL) to the field of telecommunication is an important matter. This has been extended to both government and private sector, and there by the usage of telephones became further easier. In the year 2014, towards the development of telecommunication field, the TRCSL has prepared the ground for construct 107 transmission towers by making the total towers into 6471 and the number of licenses for telecommunication system operators was 40 during the year.

The massive construction of transmission tower of Lotus Tower project is one of the giant project in the field of telecommunication in Sri Lanka. By this project, the benefits is expected to render not only to the telecommunication sector, but also for the tourism sector too. This project has been designed to be completed by the end of 2016. Further, through the monitoring centers established at Kadirana and Kandy, it is expected to strengthen the accuracy of monitoring activities.

During the year 2014, a sum of Rs.47580 million has been generated as income by the TRCSL, and a sum of Rs.41.3 billion has been contributed to the government consolidated fund. In order to make further public awareness on the field of telecommunication among the citizens of this country, number of awareness programmes were conducted to relevant parties including police officers, school students and teachers.

The contribution extended by the chairman and the staff of TRCSL, in order to achieve an enormous development in the field of telecommunication is highly appreciated.



**Anusha Palpita**  
Director General

# The Composition of the Telecommunications Regulatory Commission (TRCSL) & the Staff as at 31 Dec 2014.

## COMMISSION

Mr. Lalith Weerathunga  
Chairman

Mr. Anusha Palpita  
Member

Mr. S.S. Sahabandu  
Member

Mr. Prasanna de Silva  
Member

Mr. Sampath Amaratunge  
Member

## PRINCIPAL STAFF OF THE TELECOMMUNICATION REGULATORY COMMISSION

Mr. Anusha Palpita  
Director General

## COMMISSION OFFICE

Mrs. R.S. Goonaratne  
Actg. Secretary to the Commission

## ADMINISTRATION & CORPORATE AFFAIRS, ECONOMIC & LEGAL AFFAIRS

Mr. U.H.C. Priyantha  
- Deputy Director -General, Administration  
& Corporate Affairs, -Actg. DDG, Economic &  
Legal Affairs

## ADMINISTRATION & CORPORATE AFFAIRS DIVISION

Mr. E.L.K. Dissanayake  
Deputy Director

Mr.W.L.A.K.A. Gunathilake  
Assistant Director

## FINANCE DIVISION

Mr. M.K. Jayantha  
Director

Mr. R.P. Abeyadeera  
Deputy 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. Nishantha Palihawadena  
Deputy Director

Ms. Sriyani Mawallage  
Deputy Director



**LEGAL DIVISION**

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. H.P. Karunarathne  
Director

Mr. L. Ganeshamoorthy  
Deputy Director

Mr. E.N.P.K. Rathnapala  
Deputy Director

Mr. M.C.M. Farook  
Deputy Director

Mr. J.A.S. Gunanandana  
Deputy Director

Ms. S.A.R. Kamalanayana  
Assistant Director

Mr. M.P. Gunasinghe  
Assistant 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, INTERNATIONAL RELATIONS  
AND LICENSE ADMINISTRATION  
DIVISION**

Mr. M.K. Jayasekara  
Director

Mr. R.M.J.K.B. Rathnayake  
Deputy Director

**PROJECT & RESEARCH DIVISION**

Mr. W.D. De Alwis  
Director

**INTERNAL AUDIT DIVISION**

Ms. U.A. Samarathunga  
Chief Internal Auditor

# Content

- 13 Chapter 1  
**An Overview of the Telecommunication Sector**
- 19 Chapter 2  
**Telecommunications Regulatory Commission of Sri Lanka (TRCSL)  
Origin, Vision, Mission, Objectives & Responsibilities**
- 25 Chapter 3  
**Networks Division**
- 30 Chapter 4  
**Spectrum Management Division**
- 35 Chapter 5  
**Competition Division**
- 41 Chapter 6  
**Compliance Division**
- 45 Chapter 7  
**Legal Division**
- 47 Chapter 8  
**Policy, International Relations & Licence Administration Division**
- 56 Chapter 9  
**Administration & Corporate Affairs Division**
- 66 Chapter 10  
**Internal Audit Division**
- 68 Chapter 11  
**Special Projects Division**
- 71 Chapter 12  
**National Broadband Initiative**
- 73 Chapter 13  
**Finance Division**
- 77 **Financial Statements December 31st 2014 Auditor General's Report**

# Tables

Table 1.1 <b>Licensed Telecom System Operators as at Dec. 2014</b>	<b>15</b>	Table 4.5 <b>Number of Clearance Reports Issued in 2014</b>	<b>33</b>
Table 1.2 <b>Subscribers, Annual Growth Rates and Penetration Rates, 2000-2014</b>	<b>16</b>	Table 5.1 <b>Total Revenue</b>	<b>37</b>
Table 3.1 <b>Statistics Related to Network Division for 2013-2014</b>	<b>27</b>	Table 5.2 <b>Net Profit /Loss</b>	<b>37</b>
Table 3.2 <b>Short Codes Allocated in 2014</b>	<b>28</b>	Table 5.3 <b>Investments</b>	<b>38</b>
Table 3.3 <b>Type Approval &amp; Equipment Clearance</b>	<b>29</b>	Table 5.4 <b>Average Revenue per User</b>	<b>38</b>
Table 4.1 <b>Number of Frequencies Assignment 2014</b>	<b>32</b>	Table 5.5 <b>Subscriber Base</b>	<b>39</b>
Table 4.2 <b>Number of Licences Issued for Spectrum Users, 2014</b>	<b>32</b>	Table 7.1 <b>Activities / Tasks carried out in 2014</b>	<b>48</b>
Table 4.3 <b>Complaints Received and Investigation Undertaken in 2014</b>	<b>32</b>	Table 8.1 <b>Name of the Institution</b>	<b>56</b>
Table 4.4 <b>Number of Illegal Users Identified and Preventive Action Taken in 2014</b>	<b>33</b>	Table 9.1 <b>Participation in Training Programmes, Seminars and Forums</b>	<b>61</b>
		Table 10.1 <b>Progress of Activities – 2014</b>	<b>70</b>
		Table 13.1 <b>Revenue of the Commission from 2012 – 2014</b>	<b>78</b>

# Charts

- 16** Chart 1.1  
**Telephone Penetration Rates**
- 17** Chart 1.2  
**Growth of Internet and Email Subscribers**
- 37** Chart 5.1  
**Industry Revenue**
- 38** Chart 5.2  
**Net Profit /Loss after tax**
- 39** Chart 5.3  
**Average Revenue per User**
- 40** Chart 5.4  
**Subscriber Base**
- 44** Chart 6.1  
**Lost Phone Complaints Received**
- 79** Chart 13.1  
**Telecommunication Levy From 2012 to 2014 in Rs. Mn.**
- 79** Chart 13.2  
**International Telecommunications Operators Levy 2012 to 2014 in Rs. Mn.**
- 80** Chart 13.3  
**Total Revenue of TRCSL 2012 to 2014 in Rs. Mn.**

# List of Acronyms

AAT	- Association of Accounting Technicians	ICMA	- Institute Certified Management Accountants
ACAD	- Administration Corporate Affairs Division	ICPM	- Institute of Certified Professional Managers
AD	- Active Directory	ICT	- Information and Telecommunications Technology
AGM	- Annual General Meeting	IEEE	- Institute of Electrical and Electronics Engineers
APT	- Asia Pacific Telecommunity	IESL	- Institutions of Engineers of Sri Lanka
ARPU	- Average Revenue per User	IET	- Institution of Engineering and Technology
ASMS	- Antenna Structure Management System	ILO	- International Labour Organization
BOI	- Board of Investment	IMSL	- Institute of Management of Sri Lanka
CAPIC	- Cabinet Appointed Project Implementation Committee	ISDP-T	- Integrated Services Digital Broadcast-Terrestrial
CCTV	- Closed Circuit Television	ISP	- Internet Service provider
CD	- Compact Disc	IT	- Information Technology
CDMA	- Code Division Multiple Access	ITU	- International Telecommunication Union
CEA	- Central Environmental Authority	ITU	
CEIEC	- China National Electronic Imports and Exports Corporation	-ABU	- International Telecommunication Union (ITU) and the Asia-Pacific Broadcasting Union (ABU)
CED	- Criminal Investigation Department	ITU	
CMC	- Colombo Municipal Council	-ACMA	- International Telecommunication union (ITU) and the Australian Communications and Media Authority(ACMA)
COPE	- Committee on Public Enterprises	JICA	- Japanese International Cooperation Agency
CTO	- Commonwealth Telecommunication Organization	KIIV	- Korean International IT Volunteer
DG	- Director General	KISA	- Korea internet and Security Agency
DMS	- Department of Management Services	LTE	- Long Term Evolution
DOA	- Department of Agriculture	MoE	- Ministry of Education
DPM	- Data protection Manager	NBI	- National Broadband Initiative
DS	- Divisional Secretary	NCM	- National Cost Modeling
DVD	- Digital Video Disc	NGN	- Next Generation Network
EGO	- External Gateway Operator	NISA	- National Information Society Agency
FAO	- Food and Agriculture Organization	NIBM	- National Institute of Business Management
FM	- Frequency Modulation	NSF	- National Science Foundation
FTTEX	- Fiber to the x	PABX	- Private Automated Branch Exchange
GHZ	- Giga Hertz	PC	- Personal Computers
GPS	- Global Positioning System	PC	- Procurement Committee
GSM	- Global System for Mobile Communications	PCU	- Project Consultancy Committee
GSR	- Global Symposium for Regulators	PMU	- Project Management Unit
HFDf	- High Frequency Direction Finding		
HRC	- Human Rights Commission		
HRC	- Human Rights Commission		
HSPA	- High Speed Packet Access		
ICASL	- Institute of Chartered Accountant of Sri Lanka		

PSTN	- Public Switching Telephone Network	TDC	- Telecommunication Development Charge
PSTN	- Public Switched Telephone Network	TEC	- Technical Evaluation Committee
RMS	- Regional Monitoring Station (4.4)	TRAI	- Telecom Regulatory Authority of India
RTTE	- Radio and Telecommunications Terminal Equipment	TRCSL	- Telecommunications Regulatory Commission of Sri Lanka
SAARC	- South Asian Association for Regional Cooperation	TV	- Television
SAFIR	- South Asian Forum for Infrastructure Regulation	UCSC	- University of Colombo School of Computing
SATRC	- South Asian Telecommunication Regulators' Council	UDA	- Urban Development Authority
SCCM	- System Center Configuration Manager	UK	- United Kingdom
SoR	- Scheme of Recruitment	US	- United States
TDB	- Telecommunication Development Bureau	WLL	- Wireless Local Loop
		WRC	- World Radio Communication Conference
		WTISD	- World Telecommunication and Information Society Day

# Overview of Telecommunication Sector

Sri Lanka has a telecommunication history of over 156 years which commenced with the commissioning of the first telegraph circuit between Colombo and Galle in 1858. The first international telegraph communication between Sri Lanka (then Ceylon) and India was established in the same year. In 1880 the first telephone line was installed. Originally, telecommunication services were provided by a private owned company named Oriental Telephone Company. In 1896, the colonial government purchased the company marking the beginning of the government monopoly of telecommunication services. The International Telephone Service was inaugurated in 1935 and the first Earth Satellite Station was commissioned in Padukka in 1976. Presently Sri Lanka has international connectivity through SEA-ME-WE (South East Asia, Middle East Western Europe) submarine cables and the satellite systems.

The telecommunication and the postal services were administered under one roof for over 100 years and they were separated in 1980. This separation can be considered as the first reform of the telecommunication industry of Sri Lanka.

Marking another milestone in the telecommunication history of Sri Lanka, as the pioneer of the South Asian Region, Sri Lanka had the chance to experience mobile telecommunication services with the granting of cellular mobile licence to Celltel Lanka Pvt. Ltd. under the Telecommunications Ordinance in 1988 which paved the way for the participation of the private sector in the telecommunication industry again.

The first half of the 1990s was the most significant period in introducing changes to the industry. The Department of Telecommunications was converted in to a Corporation under the name “Sri Lanka Telecom” in 1990. Sri Lanka was the first country in the South Asian region to introduce regulations to the telecommunications industry which segregated responsibilities along the following lines: formulation of policies (Ministerial responsibility), service provision (Sri Lanka Telecom Corporation) and Regulation (Director General - Telecommunications Office) with the enactment of the Sri Lanka Telecommunication Act, No 25 of 1991. In 1996, the powers of the Telecommunication Regulator were strengthened by amending the Act. Under the provisions of the amended Act, the Telecommunications Regulatory Commission of Sri Lanka was established in 1997 and the Commission was created consisting of five members including the Director-General and the Secretary to Ministry of the Minister as the Chairman of the Commission. Since 2005 the Commission has been a statutory body coming directly under the purview of His Excellency the President.

Under the aforesaid Act, Sri Lanka Telecom was granted a License to operate fixed line telephony in the country and created a good opportunity for the new entrants. Accordingly, 3 additional cellular mobile Operators were licensed during the first half of the decade. Further licences have been granted to provide data services, payphone services, paging services and leased line services etc.

Sri Lanka spearheaded the development of mobile services in the South Asian region by introducing the breakthrough GSM technology that replaced the first Generation (1G) analog cellular networks in 1995. This marked another milestone in the history of the Sri Lankan Telecommunications Industry. To make the fixed access telephony market more competitive, in 1996 the Sri Lankan Government decided to introduce two Wireless Local Loop (WLL) Operators to provide fixed access telecommunication services and two additional licences were granted. Taking a step further on reforms, the government privatized Sri Lanka Telecom by selling 35% of its shares to a foreign company named Nippon Telegraph and Telephony (Japan) and allowed this company to manage Sri Lanka Telecom as a strategic partner.

The next significant reform of the telecommunication industry took place in 2003 with the liberalization of the international telecommunication market which had been a monopoly of Sri Lanka Telecom. The Government granted 33 External Gateway Operator (EGO) licences in 2003 and created healthy competition in the international telecommunication sector which led to a drastic reduction of the international call charges.

The fierce competition that existed in the mobile industry and the cost effective technological advancements resulted the number of mobile connections to exceed the number of fixed access connections in mid 2002.



Sri Lanka experienced the entry of the 5th mobile player in to the market in 2007 increasing the level of competition in the mobile industry. Due to the intense price war among the mobile operators the Commission introduced a floor price to maintain the stability of the industry in 2009.

One of the main objectives of the Commission is to ensure the provision of reliable and efficient national and international telecommunication services in Sri Lanka. In line with this objective, different categories of service providers were introduced to the industry by granting licences under Section 17 of the Act. Table 1.1 shows such categories and the number of licence holders in 2014.

**Licensed Telecom System Operators as at Dec. 2014** (Table 1.1)

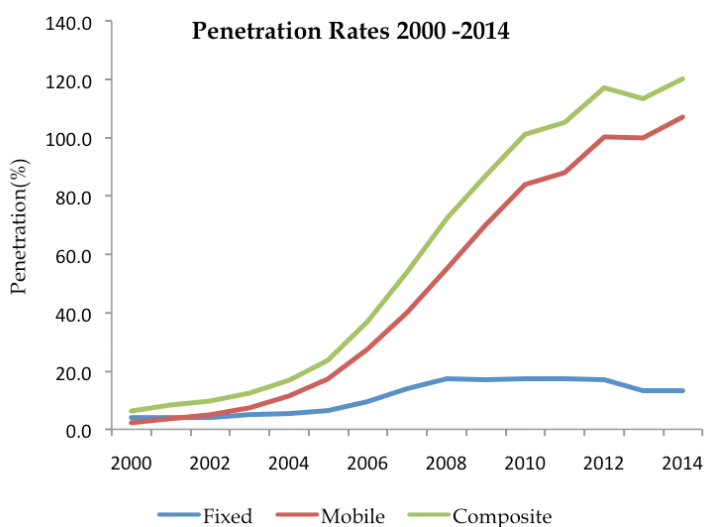
	<b>Category of Service</b>	<b>Number of Licensees</b>
1	Cellular Mobile Phones	5
2	Fixed Access Telephone Service	3
3	External Gateway Operator	7
4	Data Communications(Non-facility based) and Internet Service Providers (ISP)	10
5	Data Communications (facility based)	4
6	Cable TV Distribution Network	4
7	Direct-to-Home Satellite Broadcasting Service	3
8	Trunk Mobile Radio	1
9	Satellite Services	1
10	Leased Circuit Providers	1
11	Licensed Payphone Service Providers	1
	<b>Sub Total</b>	<b>40</b>

The telecom industry has been a fast growing area of Sri Lanka's economy led by the mobile telephony. In fact there has been an exponential growth in the mobile telephony in the recent past. From only 430,202 mobile subscribers in 2000, total mobile connections rocketed to 22,123,000 in 2014. The mobile telephony outnumbered fixed telephony in 2002. The annual growth rates of mobile telephony have been always higher than that of fixed telephony in respect of every year from 2000 to 2014. The number of mobile subscribers increased by 8.2 per cent while fixed subscribers recorded only a slight increase of 0.1 per cent in 2014. Of the two types of fixed subscribers the fixed wire line category recorded an increase of 5.7 percent from 1,062,065 in 2013 to 1,123,126 in 2014 while the fixed wireless category recorded a decline of 3.5 percent from 1,644,722 to 1,506,722 during the same period resulting in an overall increase of fixed access subscribers by 0.1 percent. By end of 2014, the fixed, mobile and composite telephone penetration rates (connections per 100 persons) stood at 13 percent, 107 percent and 120 percent respectively. The number of subscribers, their annual growth rates and the penetration rates are shown in table 1.2. Chart 1.1 graphically presents the change in penetration rates during the 15 year period from 2000 to 2014.

**Subscribers, Annual Growth Rates and Penetration Rates, 2000-2013** (Table 1.2)

Year	Subscriber Type			Annual Growth Rate(%)			Penetration Rate (%)		
	Fixed	Mobile	Fixed & Mobile	Fixed	Mobile	Fixed & Mobile	Fixed	Mobile	Fixed & Mobile
2000	767,411	430,202	1,197,613	14.7	67.6	29.4	4.0	2.3	6.3
2001	827,195	667,662	1,494,857	7.8	55.2	24.8	4.4	5.6	8.0
2002	883,108	931,403	1,814,511	6.8	39.5	21.4	4.6	4.7	9.5
2003	939,013	1,393,403	2,332,416	6.3	49.6	28.5	4.9	7.2	12.1
2004	991,239	2,211,158	3,202,397	5.6	58.7	37.3	5.1	11.4	16.5
2005	1,243,994	3,361,775	4,605,769	25.5	52.0	43.8	6.3	17.1	23.4
2006	1,884,076	5,412,496	7,296,572	51.5	61.0	58.4	9.5	27.3	36.7
2007	2,742,059	7,983,489	10,725,548	45.5	47.5	47.0	13.7	39.8	53.5
2008	3,446,411	11,082,454	14,528,865	25.7	38.8	35.5	17.0	54.8	71.9
2009	3,435,958	14,264,442	17,700,400	-0.3	28.7	21.8	16.8	69.0	86.6
2010	3,578,463 <sup>a</sup>	17,267,407	20,845,870 <sup>a</sup>	4.1 <sup>b</sup>	21.1	17.8 <sup>b</sup>	17.3 <sup>b</sup>	83.6	100.9 <sup>b</sup>
2011	3,608,392 <sup>a</sup>	18,319,447	21,927,839 <sup>a</sup>	0.8 <sup>b</sup>	6.1	5.2 <sup>b</sup>	17.3 <sup>b</sup>	87.8	105.1 <sup>b</sup>
2012	3,449,391	20,324,070 <sup>a</sup>	23,773,461 <sup>a</sup>	-4.4	10.9 <sup>b</sup>	8.4 <sup>b</sup>	17.0	100.0 <sup>b</sup>	116.9 <sup>b</sup>
2013	2,706,787	20,447,508	23,154,295	-21.5	0.6 <sup>b</sup>	-2.6 <sup>b</sup>	13.2	99.8 <sup>b</sup>	113.0 <sup>b</sup>
2014	2,709,848	22,123,000	24,832,848	0.1	8.2 <sup>b</sup>	7.2 <sup>b</sup>	13.1	107.0	120.1

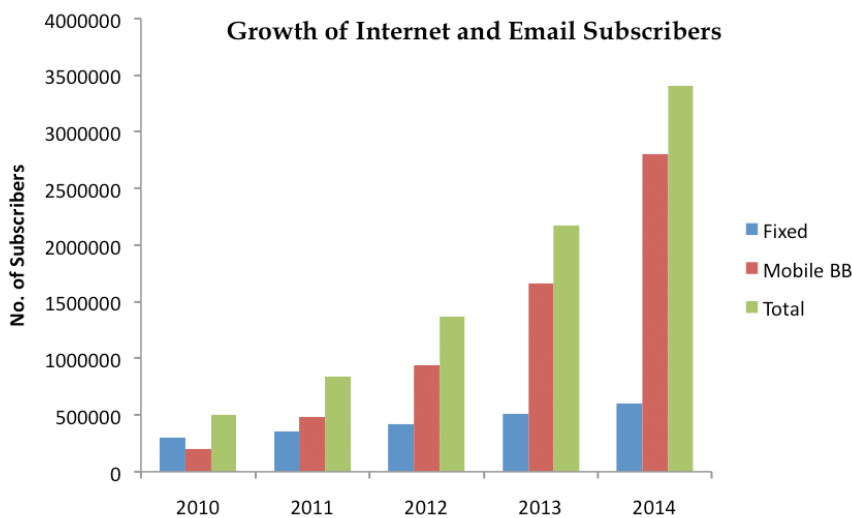
<sup>a</sup> Revised data <sup>b</sup> Computed according to revised data



(Chart 1.1)

There total call duration (incoming and outgoing call durations of local and international calls) increased by 5.1% in 2014. The local incoming call duration increased by 4.3 % while local outgoing call duration increased by 6.3%. However, the incoming as well as outgoing international call durations recorded declines of 0.1% and 4.5% respectively in 2014.

During the past few years the telecommunication industry has made a significant contribution for the improvement of internet and email services in the country. The internet penetration was 16.5 percent in 2014. This was largely supported by the accelerated growth of mobile broadband internet and email subscribers. Access to internet may be even higher, as these connections do not reflect ad hoc data users on general connections, while common access points are considered as single connections, in



(Chart 1.2)

spite of multiple user access. Rapid changes in technology entail a substantial cost to service providers in upgrading, expanding and operating telecommunication infrastructure, within an extremely competitive environment. The growth of internet and email subscribers during the period 2010 to 2014 is presented in chart 1.2.

The operators have continuously invested in the industry and the value of investments exceeded Rs.50 billion for the years 2011, 2012 and 2013. However, the total investment for the year 2014 was limited to Rs. 45 billion. The Foreign Direct Investment for telecommunication projects approved by the Board of Investment (BOI) amounted to US \$ 152.5 Million in 2014 (provisional data of BOI).

The mobile and fixed access operators contributed to the total industry revenue by 68% and 27% respectively while the other operators contributed by 5%. Both mobile and fixed access operators have registered an increase in their revenues when compared to the previous year.

The average revenue per user (ARPU) per annum of mobile operators for 2014 was Rs. 5,386 which is a 1% drop compared to the previous year, while the ARPU per annum of fixed access operators was Rs. 17,954. The ARPU of Fixed access operators showed an increase of 5% in 2014.

The mobile operators recorded a net profit after tax of Rs. 2,947 million in 2014 after incurring net losses for the past couple of years (2013- net loss of Rs. 143 million). The net profit of the fixed access operators declined by 42 percent from Rs. 2,964 Mn. in 2013 to Rs. 1,723 Mn. in 2014.

In 2014, the telecommunications industry of Sri Lanka provided 12,519 direct employment opportunities. However, the industry provided also indirect employment opportunities to a much greater number. The Post and Telecommunications sub sector recorded a growth of 8% compared to the previous year, and the telecommunications industry revenue for the year 2014 amounted to Rs. 178 billion.

The Commission's responsibility is not limited to ensure the delivery of reliable telecommunication services but also to protect and promote the interest 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 by the licensees. To discharge this responsibility, the Commission adopts regulatory measures such as regulation of the tariffs, monitoring and maintaining quality of service standards, promoting operators to introduce novel services created through new technologies, conducting type approving process for telecommunication equipment and handling customer complaints. The Commission introduced the broadband speed measuring device for subscribers to test the available internet speed remotely through the Commission website. Further, to ascertain the cost of providing telecommunication services, which in turn would help the Regulator to approve the tariffs and the operators to work out suitable tariff plans, the Commission conducted a 'Network Cost Modeling workshop in collaboration with the International Telecommunication Union (ITU) in Colombo. The workshop was targeted at both the staff members of the Commission as well as the operators.

The Commission also takes pride in the construction of a multi-functional telecommunications tower in the heart of Colombo, named "The Colombo Lotus Tower" which would be a prominent landmark of Colombo when it gets completed in year 2016. The concreting works of the tower body has been completed from 15 m level to 180m level height in 2014. The tower will facilitate the transmission of signals of 50 TV Channels and over 35 FM Radio Stations.

# Telecommunications Regulatory Commission of Sri Lanka (TRCSL)

## Origin, Vision, Mission, Objectives and Responsibilities

### 2.1. Origin

The Telecommunications Regulatory Commission of Sri Lanka (TRCSL) is a statutory body established under the Sri Lanka Telecommunications (Amendment) Act, No. 27 of 1996 which was enacted to amend the Principal Act namely, the 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 the Sri Lanka Telecommunications (Amendment) Act, No. 27 of 1996 and the term Commission denotes the Telecommunications Regulatory Commission of Sri Lanka.

### 2.2. The Composition and Meetings of the Commission

The Commission presently comprises of five Members. The Secretary to His Excellency the President is the ex-officio Chairman of TRCSL. The Director-General is the Chief Executive Officer and is also a Member of the Commission. The other three Members are non-Executive Members of the Commission who have distinguished themselves in the fields of Law, Management and Finance respectively.

The Commission has met on several occasions during 2014 to address a wide range of matters including Regulatory topics, Commission’s Annual Budget, Administrative issues, hosting of International Regulatory Conferences in Sri Lanka by the TRCSL and has taken necessary decisions/ granted approval based on the merits of the claims.

### **2.3. Vision**

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

### **2.4. 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.

#### **2.4.1. Interpretation of the Mission Statement**

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

### **2.5. Objectives:**

As per the Telecommunications Act the general objectives to be realized by the TRCSL are as follows:

**2.5.1.** To ensure the provision of a reliable and efficient national and international telecommunications service in Sri Lanka satisfying 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.

**2.5.2.** 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 the license.

**2.5.3.** 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 supplied.

**2.5.4.** To maintain and promote effective competition between persons engaged in commercial activities connected with telecommunication and promote efficiency and economy on the part of such persons

**2.5.5.** To promote the rapid and sustained development of telecommunication facilities both domestic and international.

**2.5.6.** 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.

**2.5.7.** To promote research in to the development and use of new techniques in telecommunications and related fields.

**2.5.8.** To encourage the major users of telecommunication services whose places of business are outside Sri Lanka to establish places of business within Sri Lanka.

**2.5.9.** To promote the use of Sri Lanka's international transit services.

## **2.6. Responsibilities of TRCSL**

As a leading Government institution TRCSL is the national regulatory agency for telecommunications in Sri Lanka and its main responsibility is to promote sustained development of the industry by constantly reviewing and reforming the regulatory process, protect the public interest and meet the challenges proactively in an increasingly competitive market. TRCSL does not provide telecommunication services as such but encourages the efficient and orderly provision of these services by the operators and it is committed 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:

**2.6.1.** Enforcement of the provisions in the Act and adherence to conditions in the licenses issued to the Operators.

### **2.6.2. Foster free and fair competition among the licensed operators.**

- Monitor competition to determine whether operators are serving the public interest and engaged in non-discriminatory ethical practices.
- To ensure seamless interconnection between networks and services.
- To establish a general framework of rules that would enable open entry, non-burdensome and transparent licensing.

### **2.6.3. Pricing**

Ensure that telecommunication services are reasonably priced, taking into consideration affordability to the general public.

### **2.6.4. Consumer Protection**

To have consumer safeguards in place, and to encourage public participation, communication and willingness to listen by conducting inquiries into complaints made by consumers and members of the public.

### **2.6.5. 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.** Preparedness to act in an emergency
- iv.** To make telecommunication services available to people with disability.

### **2.6.6. Regulation of bottleneck facilities and scarce resources**

- i. Spectrum Management
- ii. Numbering
- iii. Right of Way
- iv. Space segment
- v. Interconnection
- vi. Access to international landing stations
- vii. Access to backbone

### **2.6.7. High quality telecommunication services**

To ensure that telecommunication services are of a high quality which are just, reasonable and affordable and which will meet the needs of the consumers in a satisfactory manner.

### **2.6.8. 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.

**2.6.9.** Ensure that the decisions are fair and impartial.

**2.6.10.** Help to build a civil society by contributing towards making it an “informed” society in this modern Information and Communication age.

**2.6.11.** 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.

## **2.7. Functions of TRCSL**

In order to realise the above objectives TRCSL engages in the following regulatory functions:

### **2.7.1. Processing applications and granting of licenses**

**2.7.1.1.** Licenses to operate telecommunications 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 exemptions are stipulated in Section 20 of the Act.

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

As per Section 22 (1) of the Telecommunications 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.

### **2.7.1.3. Vendor licenses under Section 21 of the Act**

According to 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 TRCSL.

## **2.7.2. Tariff Regulation**

**2.7.2.1.** Determine tariffs in Consultation with the Minister as specified under 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 operators.

**2.7.2.2.** Approval/ Determination of interconnection charges in terms of 5(l) of the Act.

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

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

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

According to Section 9 (1) of the Act, when a subscriber or a member of the 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 it 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.

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

**2.7.7.** Represent the Government in International Conferences/ International and Foreign bodies concerned with telecommunications.

**2.7.8.** Issuance of Orders, Directions and Decisions 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.

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

**3. Inter Divisional Collaboration**

Several Divisions have attended to carrying out the functions of TRCSL. The main functions and the performance of the respective Divisions in the year 2014 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 and the support of other Divisions.

# Networks Division

## Overview

The Networks Division is responsible for regulating matters related to telecommunication networks such as managing the National Numbering Plan for telecommunications, infrastructure deployment, facilitation of

the introduction of new technologies to telecommunication networks in Sri Lanka, issuance of type approval certificates and customs clearances for network equipment and Vendors Licensing.

## 3.1. Functions

The functions carried out by the Networks Division in 2014 in different areas as per the Telecommunications Act are set out below under different headings.

### 3.1.1. Numbering

TRCSL manages the National Numbering Plan for the telecommunications sector in Sri Lanka including the allocation of numbering resource. The Numbering Plan sets out the framework and guidelines for the use of numbering resource available for telecommunications networks in the country. Numbering resource is a scarce resource and as such this resource can be utilized through proper planning. Hence the plan is changed from time to time according to new developments and current trends in the industry. Given below is a summary of the functions:

- Managing the national numbering resource
- Assigning four digit Short Codes for government and private organizations
- Allocating International and National Signaling Point Codes, network codes to telecom operators

### **3.1.2. Infrastructure Deployment**

The Networks Division engages in the grant of approvals for the deployment of telecommunications infrastructure facilities such as copper or optical fibre networks, undersea cable landing stations, and telecommunication antenna towers. Applications seeking approval from licensed telecom operators are received for expansion of existing networks or to introduce new facilities through above mentioned facilities. The Networks Division facilitates such operations by way of issuing relevant approvals through coordination with several other government organisations.

This is done by giving due consideration to the areas of environmental impact, health and safety issues, national security and also to the public interests while maintaining sustainable development of the telecommunication industry. The functions carried out by the Networks Division with regard to these matters are summarized as follows:

- Facilitating License Operators in implementing their infrastructure deployment projects.
- Coordinating with various Government Departments on matters related to telecommunication infrastructure deployment.
- Conducting public awareness programs on telecommunication infrastructure deployment.
- Study project proposals submitted by individuals/ organizations with regard to telecommunication infrastructure deployments and make recommendations and submit reports on the same.

#### **3.1.2.1. Control of Illegal Operations of Cable TV Services**

According to 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. The Networks Division is engaged in controlling illegal cable TV services throughout the island with the assistance of the Criminal Investigation Department (CID).

### **3.1.3. Type Approval & Equipment clearance**

In terms of the provisions of Section 5(q) of the Telecommunication Act, Terminal Equipment requires Type Approval from the Commission and as such Schedule 2 of System Licence issued to operators, authorizes the connection of 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 network require type approval.

The Networks 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 the Networks Division in this regard are summarized as follows:

- Performing type approval of telecommunication terminal and network equipment and making recommendations to Customs/BOI/Import controller clearance purposes.

- Ensuring compliance with technical standards in the telecommunications sector in Sri Lanka in accordance with the recommendations and guidelines of the ITU.
- Assisting Police/Criminal Investigation Department (CID) investigations related to public security law and order in the field of telecommunications.
- Participating in Technical Evaluation Committees (TECs) of Government Institutions and Public Corporations and provide technical inputs related to telecommunications.

### 3.1.4. Vendors Licensing

The Vendors Licence is an authorization issued by the Telecommunications Regulatory Commission (TRC) to 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 as per Section 21 of Telecommunications Act. The functions carried out are as follows:

- Processing applications for Vendor Licenses and issuing Licences.
- Managing Vendor License regime.
- Assisting Police/Criminal Investigation Department (CID) investigations related to public security law and order in matters related to Vendors' Licences.

#### 3.1.4.1. Investigation of Illegal Vendors

The Networks Division continued with 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.

## 3.2 Performance

**Statistics Related to Network Division for 2013-2014** (Table 3.1)

Description	2013	2014
Total No. of Vendor licenses issued	763	867
Cumulative No. of Towers constructed	6364	6471
Total No. of Tower complaints received	181	90
Total No. of investigations handled(Tower related)	32	25
Total No. of court cases related to towers	3	4
Total No. of public awareness programs held	16	9
Total No. of New Type Approvals given	43	46
Total No. of issuance of Import clearances	3640	3884
Total No. of Individual Clearances	45	27
Cumulative No. of New Short codes issued	40	44

### 3.2.1. Numbering

#### Allocation of Short Codes

Several Government Departments made requests for allocation of short codes to provide an easy access to the public for their service. The number of four digit short codes allocated to Government Departments in 2014 was three.

Private sector organizations have been requesting short codes to provide better services to their customers and to promote their businesses. In order to cater to this demand, 13XX range short codes were allocated to private sector organizations in 2014. During the year one short code in this range was issued.

**Short Codes Allocated in 2014** (Table 3.2)

Organization	Short Code
Department of Posts	1950
Department of Wild life Conservation	1992
National Police Commission	1960
Unilever Sri Lanka Ltd.	1323

### 3.2.2. Infrastructure Deployment

#### 3.2.2.1. Construction of Telecommunication Towers

The cumulative number of telecommunication towers constructed increased up to 6471 which includes 107 new towers constructed in 2014.

#### 3.2.2.2. Handling of Infrastructure Deployment Complaints

The general public makes complaints against tower construction due to several reasons and the Networks Division carried out 25 investigations on these matters in 2014. There were four (04), telecommunication towers related court cases in 2014. Ninety (90) towers related public complaints were received in the year 2014. There had been a significant decrease in public complaints on infrastructure development activities, mainly due to effective awareness programmes.

#### 3.2.2.3. Public Awareness Programmes

In 2014, the Networks Division conducted nine (9) public awareness campaigns with the assistance of professionals specialized in this field. The main objective of these awareness programs was to educate the general public on issues related to antenna towers such as electromagnetic radiation and lightning.

### 3.2.3. Type Approval & Equipment Clearance

The 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.

Issuance of Equipment Clearances and Type Approvals, 2014 (Table 3.3)	
Description	No. of doc.s Issued in 2014
Equipment clearances	3284
Type Approvals	46

More statistics pertaining to activities undertaken by the Networks Division are given in Table 3.1.

### 3.2.4. Vendor Licensing

In the year 2014, 867 vendor licenses were issued to different types of telecommunications equipment vendors.

## 3.3. Way Forward

Antenna Structure Management System (ASMS) for Network Division of TRCSL

According to TRC guidelines for the erection of Antenna Structures, Operators are required to obtain TRC approval for new/shared antenna towers. Upon receiving the applications TRC has to send the applications to several Government institutions such as Ministry of Defense, Central Environment Authority, Urban Development Authority and Civil Aviation Authority to obtain recommendations.

In order to store the information related to these requests, TRC decided to have a new database management system. This system will have key features such as viewing new applications to erect towers, status of the already submitted applications, new complaints and inquires etc. The system will be capable of downloading/uploading the application forms to web, tower details including drawings, photographs etc. ASMS will also be capable of sorting/filtering available data depending on requirements of TRC and search data as per location, selected area (mark on the map) Province, District, Divisional Secretary (DS) area etc. It will have a graphical user interface with map viewing facilities to observe the surrounding environment of a particular tower location. Using map tools it is possible to identify the radial distance between two locations.

A mobile App also will be a part of the ASMS. This App can provide facilities to carry off-line data, photos of selected towers (details and photos of the tower/ antenna structure) and cross-check location details using GPS and other relevant data and instantly contact the operators via voice /text.

# Spectrum Management Division

## Over view

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 electromagnetic disturbances produced by radio communication installations.

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

## 4.2. Functions performed by Spectrum Management Division

- Allocating frequency bands in accordance with international Radio Regulations and the national priorities ;
- Assigning frequencies through fair, equitable and transparent procedures;
- Planning, coordinating, regulating and administering the use of the frequencies;
- Establishing regulations, technical parameters and standards governing the use of radio spectrum and use of satellite orbit belonging to the country;
- 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;
- Licensing of users for the purpose of regulating the use of spectrum in order to ensure minimum interference with other users;
- Monitoring of radio spectrum;
- Granting Type Approval for Radio and Telecommunications Terminal Equipment (RTTE);



- 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 information database on authorized radio systems such as frequencies, the locations, transmitting powers, call signs, etc., and notifying to the Radio Communication Bureau of the International Telecommunication Union (ITU) if there is a looming threat to cause interference to other countries;
- 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 Armature Radio and Global Maritime Distress Safety System (GMDSS) examinations;

As per Section 22 of the Telecommunications Act (see 2.7.1.2) 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 to 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 Division is divided into several service categories.

It is required to have a clearance from TRCSL for importing any radio frequency apparatus. 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 issue of such a clearance letter. This action minimizes the illegal use of frequencies and 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.

### **4.3. Performance**

The statistics relating to the number of frequencies and licenses issued during the year 2014, as well as interference complaints and unauthorized users identified by Spectrum Management Division are shown below:

#### 4.3.1. Assignment of frequencies

<b>Number of Frequencies Assigned, 2014 (Table 4.1)</b>		
<b>Category of Service</b>	<b>No. of Frequencies</b>	
	<b>2013</b>	<b>2014</b>
Fixed service	4342	1340
Broadcasting service (Television and Radio)	2	7
Cellular Mobile Service	1 slot (LTE)	0
Data / Radio Telemetry	4 / 3	3 / 9
Aeronautical & Maritime Service		
<i>i. Maritime Mobile Service</i>	3	0
<i>ii. Aeronautical Mobile Service</i>	2	0
Private Mobile Radio Service	24	23

#### 4.3.2. Issuance of frequency licenses

<b>Number of Licenses Issued for Spectrum Users, 2014 (Table 4.2)</b>		
<b>Category of Service</b>	<b>No. of Licenses</b>	
	<b>2013</b>	<b>2014</b>
Fixed service	36	59
Broadcasting service ( Television and Radio)	25	40
Cellular mobile service	5	5
Trunking / Paging/ Citizen Band	10	9
Data / Radio Telemetry Service	10 / 11	10 / 16
Aeronautical and Maritime Services		
<i>i. Aircraft stations</i>	80	66
<i>ii. Ship stations</i>	79	89
<i>iii. Maritime mobile</i>	101	265
<i>iv. Aeronautical mobile</i>	02	09
Private mobile radio service	189	211
Satellite License (new + renewal)	18	19
Amateur Radio	11	11

#### 4.3.3. Complaints Received and Investigations Undertaken in 2014

<b>Complaints Received and Investigations Undertaken in 2013 (Table 4.3)</b>				
<b>Service</b>	<b>No. of complaints received</b>		<b>No. of investigations undertaken</b>	
	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>
TV and Broadcasting	05	08	05	08
Other Services	34	40	34	40

#### 4.3.4. Identification of illegal users of frequency spectrum

Special frequency monitoring equipment was used for detecting illegal users of radio spectrum. This equipment was installed in special vehicles designed for that purpose. Table 4.1 shows the number of identified illegal users of frequency spectrum for the period 2014.

<b>Number of Illegal Users Identified and Preventive Action Taken in 2014</b> (Table 4.4)			
<b>Category</b>	<b>No. of illegal users identified</b>		<b>Action Taken</b>
	<b>2013</b>	<b>2014</b>	
Broadcasting service ( TV and radio)	01	01	Pursued to prevent the illegal use
Other services	0	0	

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

<b>Number of Clearance Reports Issued in 2014</b> (Table 4.5)			
<b>Category of Service</b>	<b>No. of clearance reports</b>		
	<b>2013</b>	<b>2014</b>	
Fixed service including CDMA	985	743	
Broadcasting service (TV and Radio)	441	55	
Cellular Mobile Service			
i. Dealer License	4039	4657	
ii. Mobile operators	1090	1117	
iii. Trunking / Paging / Citizen Band	24	29	
iv. Private Mobile Radio	564	609	
Aeronautical & Maritime Service			
i. Aircraft Station	28	22	
ii. Ship Station	10	13	
iii. Maritime Mobile	105	250	
iv. Aeronautical Mobile	12	2	
v. Aeronautical Navigation	03	23	
vi. Miscellaneous (GPS, Tracking)	250	623	
Data service / Radio Telemetry	108 / 07	110 / 07	
Satellite service	1100	1950	
Amateur Radio	15	15	
Low Power Devices	800	1667	

#### 4.4. Frequency Monitoring and Investigation

The Spectrum Management Division carried out investigations with a view to eliminate interferences caused due to improper use or misuse of equipment. These Investigations were carried out using Mobile Surveillance Vehicles, Monitoring Stations and the latest Spectrum analyzer equipment. We have Regional Monitoring Stations (RMS) at Colombo, Kadirana and Kandy. Also we have remote

monitoring stations at Yakkala, Katubedda and Bandaragama. The Division received Forty eight (48) complaints on interferences and solutions were provided to Forty two (42) of these complaints in the year 2014.

Also we have commenced installation of a new High Frequency Direction Finding (HFDF) monitoring system at Kadirana monitoring station which facilitates remote monitoring from the TRCSL Head Office.

#### **4.5. Technological Advancements**

With the technology advancement and continued growth of demand for high speed data access, outdoor LTE (Long Term Evolution) was identified as one of the powerful technologies to fill the gap.

TRCSL made arrangements to issue new frequency licenses for fixed line and cellular telecommunication operators to use 1.8 GHz, 2.3 GHz & 2.6 GHz bands for LTE applications.

#### **4.6. Transition from Analogue to Digital television in Sri Lanka**

The roadmap for transition from analogue to digital terrestrial television in Sri Lanka has been prepared on the basis of the initiative taken by the Spectrum Management Division.

With JICA (Japanese International Cooperation Agency) assistance, test transmissions are going-on for implementation of ISDB-T (Integrated Services Digital Broadcast – Terrestrial) standard hitherto adopted by many countries all over the world. The Cabinet has approved the adoption of ISDB-T for the digital television broadcasting in Sri Lanka and other necessary documents including loan agreements were also signed between Sri Lanka Government and JICA. It is expected to cover initially Colombo in 2016 and all-island in 2021. A Project Management Unit (PMU) has been established under the Ministry of Mass Media for further action.

# Competition Division

## Overview

As per the provisions of the Sri Lanka Telecommunication Act, it is the responsibility of TRCSL to ensure reliable, affordable and quality telecommunication services to the people in the country. For this purpose, it is necessary to take appropriate measures to promote fair competition in the industry, regulate tariff, monitor interconnection services, publish industry information, direct operators to expand their networks to un-served and

under-served areas by implementing subsidiary schemes and these functions are handled by the Competition Division of the TRCSL. The Division also monitors the collection of taxes, levies and cess from the operators and collects data for analytical purposes and provides industry information to the Central Bank, the Treasury and other appropriate local and international institutions.

## 5.1. Interconnection and Sector Analysis

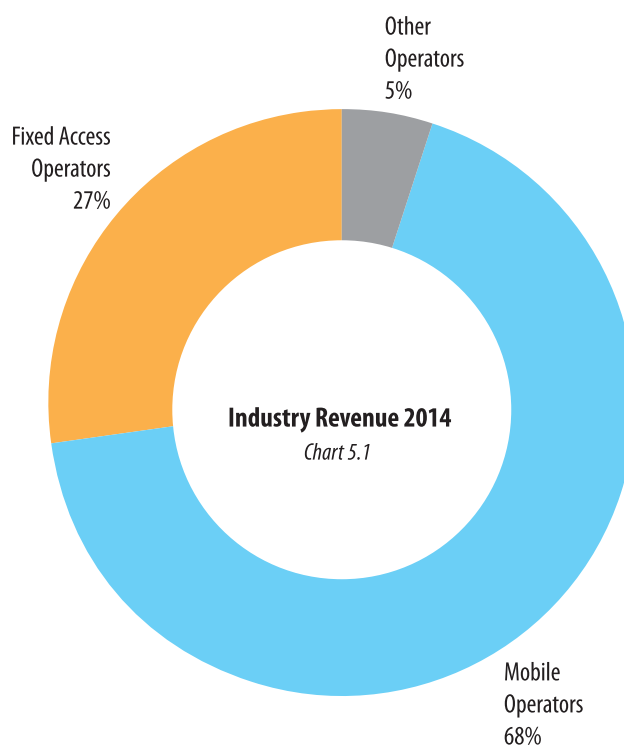
Under Section 17 (2) of the Sri Lanka Telecommunications Act, No. 25 of 1991 as amended 40 system licenses have been granted. Out of the aforesaid 40, eight (8) licensees ( 5 Mobile and 3 Fixed Access) represent approximately 95% of the total industry revenue.

### 5.1.1. Total Revenue

The total industry revenue for the year 2014 amounted to Rs. 178 billion. The contribution of the mobile and fixed access operators to the total industry revenue was 68% and 27% respectively while the contribution of all other operators was 5%. The total revenue of mobile operators and fixed access operators increased by 7% and 5% respectively compared to the revenue earned in year 2013. Table 5.1 shows the total revenue and the annual change of revenue from 2010 to 2014 and chart 5.1 shows the percent contribution of the three types of operators to the total income.

Revenue of Mobile and Fixed Operators, 2010-2014 (Rs. Mn.) (Table 5.1)									
Category	2010	2011	2012	2013	2014*	Percentage Change			
						2010 -2011	2011 -2012	2012 -2013	2013 -2014
Mobile	72,160	83,530	101,704	111,586	119,144	16	22	10	7
Fixed	45,300	43,660	43,403	46,318	48,652	-4	-1	7	5
Total	117,460	127,190	145,107	157,904	167,796	8	14	9	6

\*Provisional



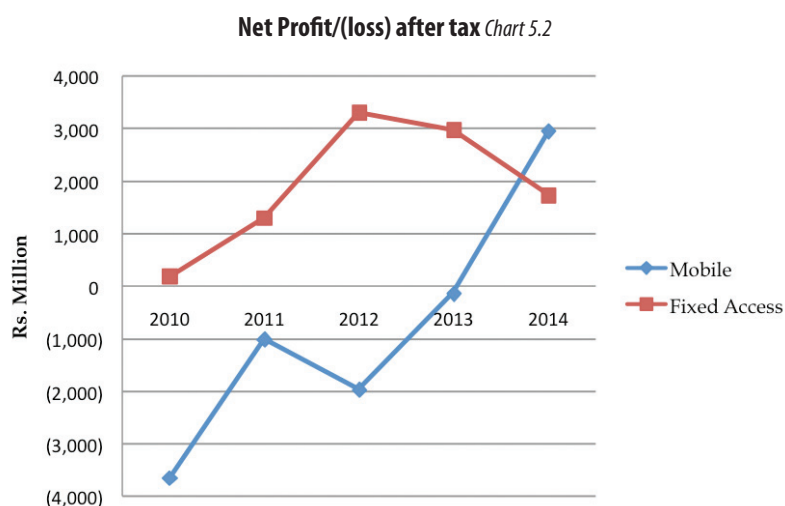
### 5.1.2. Net profit/(loss)

The following Table displays the net profit/ (loss) of Mobile and Fixed Access Operators for the period 2010-2014.

Net Profit (Rs. Mn.), 2010-2014 (Table 5.2)					
Category	2010	2011	2012	2013	2014*
Mobile	(3,652)	(1,017)	(1,970)	(143)	2,947
Fixed Access	180	1,285a	3,304	2,964	1,723
Total	(3,472)	268a	1,334	2,821	4,670

a Revised data \*Provisional

The mobile operators recorded a net profit after tax of Rs. 2,947 million in 2014 after incurring net losses for the past couple of years (2013- net loss of Rs. 143 million). The net profit of the fixed access operators for the year 2014 was Rs. 1,723 million. (2013- Rs. 2,964 million)



### 5.1.3. Investments

The following Table displays on a yearly basis the new investments made by the Mobile and Fixed Access Operators for the period 2010-2014.

Category	2010	2011	2012	2013	2014*
<b>Mobile</b>	24,387	41,999	29,508	49,509	23,444
<b>Fixed Access</b>	9,646	14,055	20,610	19,052	21,640
<b>Total</b>	34,033	56,054	50,118	68,561	45,085

*(Investments include the additions to property plant and equipment and intangible assets).  
Note: Revised data are given for years 2010 -2013  
\*Provisional*

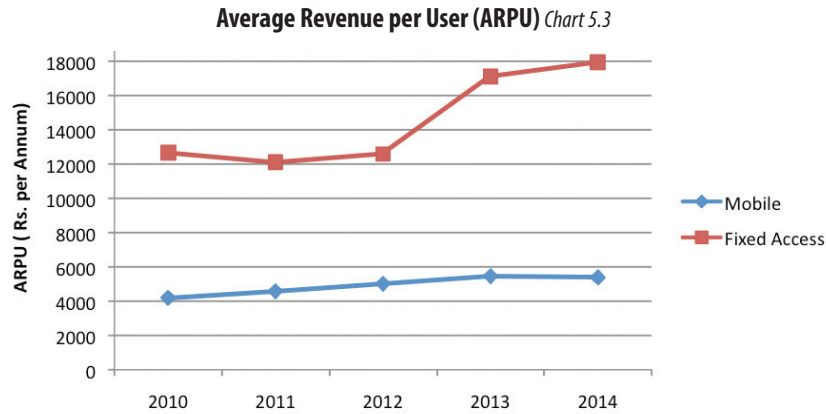
Operators continuously invest in the industry and the value of investments exceeded Rs.50 billion during the period 2011-2013. However, the total investment for the year 2014 was limited to Rs. 45 billion.

### 5.1.4. Average Revenue per User

The following Table displays the A.R.P.U (Average Revenue per User) of Mobile and Fixed Access Operators for the period 2010-2014.

Category	2010	2011	2012	2013	2014*	Change			
						2010 -2011	2011 -2012	2012 -2013	2013 -2014
Mobile	4,179	4,560	5,004	5,457	5,386	9%	10%	9%	-1%
Fixed	12,659	12,100	12,583	17,112	17,954	-4%	4%	36%	5%

\*Provisional



The A.R.P.U (Average Revenue Per User) per annum of mobile operators for 2014 was Rs. 5,386 which is a 1% drop compared to the previous year, while the A.R.P.U per annum of fixed access operators increased by 5% from Rs 17,112 in 2013 to Rs. 17,954 in 2014.

#### 5.1.5. Subscriber base

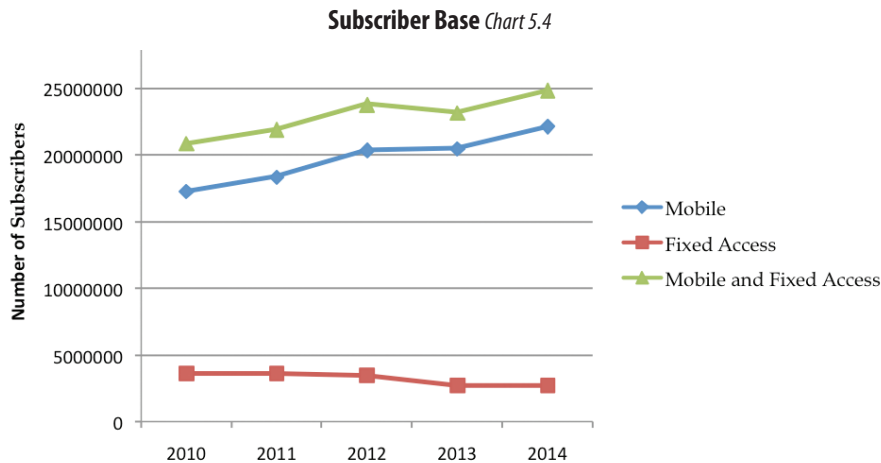
Category	2010	2011	2012	2013	2014*	Change			
						2010 -2011	2011 -2012	2012 -2013	2013 -2014
Mobile	17,267,407	18,319,447	20,324,070	20,447,508	22,123,000	6%	11%	0.6%	8%
Fixed	3,578,463	3,608,392	3,449,391	2,706,787	2,709,848	1%	-4%	-22%	0.1%
Total	20,845,870	21,927,839	23,773,461	23,154,295	24,832,848	5%	8%	-3%	7%

\*Provisional

Note: In 2013 the definition of the active subscriber base was changed.

The mobile subscriber base reached 22,123,000 in 2014. Despite going above 100% penetration rate, the mobile subscriber base demonstrates an increasing trend. The fixed access subscriber base was 2,709,848 at the end of 2014. The fixed access subscriber base showed a slight increase of 0.1% in 2014 and this is an improvement when compared with the negative growth of 22% in 2013. The marginal decrease in mobile subscriber base and the drastic decrease in fixed access subscriber base in 2013 occurred due to the change of definition of active subscriber.





## 5.2. Telecommunications Levy (TL)

The Telecommunications Levy was introduced by the Government of Sri Lanka as a “single rate tax” for the telecommunications industry in year 2011 and initially the levy rate was 20% on value of supply. In line with the Budget Proposal of 2013, the Government imposed a concessionary TL rate of 10% on internet services with effect from 1st January 2013, which was previously charged at 20%. With effect from 01.01.2014 the TL rate of 20% on telecommunications services (excluding internet services) was amended to 25%.

## 5.3. Cess

Cess is collected from all operators who are liable to pay Cess under the provisions of the Section 22G of the Sri Lanka Telecommunications Act No 25 of 1991 as amended.

## 5.4. Processing of Visa Applications

As the telecommunications industry is a rapidly changing industry, the operators continuously strive to upgrade their networks with the emerging technologies in the world. In order to obtain the expertise the operators hire overseas industry professionals to work in their special projects. On behalf of the operators, the Commission makes recommendations to the Presidential Secretariat with regard to the issuance of visas to such professionals. During the year 2014, a total of 527 such visa applications were processed by the Division.

## 5.5. Tariff

- Processing tariff proposals submitted by licensed operators.

The number of approved tariffs are as follows:

- Permanent approvals - 04
- Promotional approvals - 110

- Developing a cost model to calculate the data network cost

## 5.6. Disbursement of Telecommunication Development Charges

(2009/2010 & April 2010/July 2010)

Telecommunications Development Charges (TDC) disbursements were made in accordance with the Guidelines for two periods separately (100% completed as scheduled )

#### **5.7. New ISP( non-facility base) Licences issuance**

Four licenses were processed and three were granted .The Etisalat License was submitted for HE the President's signature.

#### **5.8 Way forward**

Rural Broadband development project to be commenced utilizing the Telecommunications Development charge Fund (project proposal will be submitted to the Director- General's approval)

# Compliance Division

## Overview

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.

## 6.1 Quality of Service (QOS) Unit

### 6.1.1. Functions

- Monitor, analyze and report on the adherence to QOS standards and rules by the licensed operators/license holders.
- Assurance of receipt of QOS Quarterly reports of licensed operators.

### 6.1.2 Activities / Tasks Carried out in 2014

- Published the consultation paper on establishing a Quality of Service Regulatory Framework for Fixed and Mobile Voice services in December, 2013. The deadline for making submissions was January 2014.
- Analysing submissions received from operators regarding the consultation paper. (January to February 2014)

- Discussions with operators regarding the submissions made by them.(February to April, 2014).
- Use of QOS parameters for a trial period.(May to October, 2014).
- Inspection of measurements of QOS parameters by operators at their premises.(May to October, 2014).
- Based on the submissions and after a series of meetings with operators, the method of measuring the parameters set out has been agreed upon as the common platform. (September to October, 2014).
- Use of revised QOS parameters for a trial period of six months. (November, 2014 to April, 2015)

## **6.2. Surveillance Unit**

### **6.2.1 Functions**

- 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 the operators
- Monitor, analyse and adopt regulatory measures to control the offer of unapproved tariff packages by licensed operators
- Investigate complaints into illegal call termination by 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

### **6.2.2 Activities/Tasks Carried out in 2014**

- Investigations into 105 complaints on illegal call termination by licensed operators have been completed
- Investigations into 12 instances of sale of non-type approved telecommunications by vendors have been completed
- Investigations into 34 instances of offer of unapproved tariff packages by operators have been completed

## **6.3. Consumer Complaints and Public Awareness**

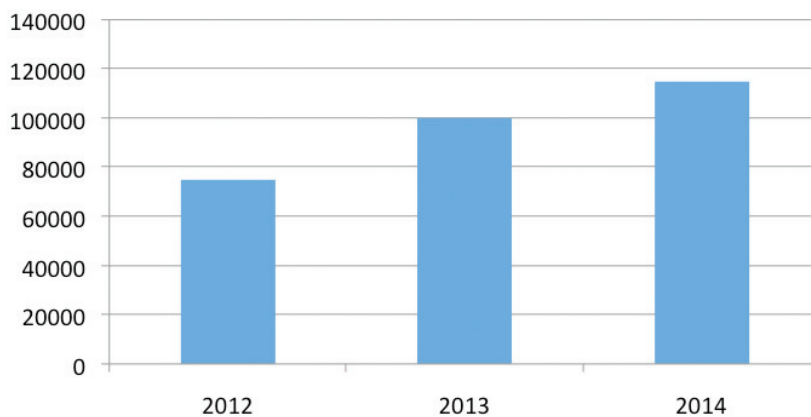
In terms of Section 09 of the Sri Lanka Telecommunications Act, No. 25 of 1991 as (amended in 1996) where a subscriber to a telecommunication service or member of public makes a complaint to the Commission in relation to the telecommunication services provided by an operator the Commission may make an investigation as it may deem necessary and shall cause such remedial measures to be taken as the circumstances of the case may require. In the course of any such investigation the Commission may direct such operator to take such steps deemed to be necessary for the rectification of any problem

or matter which gave rise to the complaint and direct financial redress be provided where appropriate. Complaints received are forwarded to the relevant service provider for necessary action. The Consumer Relations Unit follows up the same with the service provider to take necessary action to offer a reasonable and justifiable solution to the complainant.

In cases where the complainant is not satisfied with the solution offered by the service provider then in such instance a meeting would be arranged to enable both parties to discuss the issue in the presence of the Deputy Director (Consumer Relations) who will mediate when deemed necessary. TRCSL facilitates both parties to reach an amicable settlement where appropriate.

As a social obligation the TRC is actively engaged in the process of finding misplaced mobile phones. TRC receives an average of 250 complaints daily and up to now approximately 115,000 complaints on lost mobiles have been accepted and the TRC assisted the police to recover lost mobile phones during the last few years.

**Lost Phone Complaints received** *Chart 6.1*



### **6.3.1. Public Awareness**

Analysis of consumer complaints reveals the importance of instilling awareness among the general public on the use of telephones as well as other related issues. Hence a wide range of awareness programmes provides an effective service to the society. TRCSL strongly believes that the general public should be educated as to how telecommunication services should be used ethically. This challenge should be met as part of the discharge of the social responsibility of the Regulator. The activities undertaken during 2014 are briefly mentioned below.

#### **6.3.1.1. Workshops for Police Officers**

Workshops were conducted for police officers who directly handle crimes especially on telecommunication. During the year 10 workshops were conducted where the resource personnel comprised both senior officers of telecommunications service providers as well as senior staff officers of the TRCSL.



*A Workshop Conducted for Police Officers*



*Group Photograph of Resource Persons and Workshop Participants*

#### **6.3.1.2. Awareness Programmes for School Children**

Awareness programmes were conducted for school children who would be telecommunication subscribers in the future. In this context, six (06) programmes were conducted at leading schools in Colombo.

#### **6.3.1.3. Awareness Programme for School Teachers**

One awareness programme was conducted during the year

#### **6.3.1.4 Awareness Programmes for Directors of Education**

One awareness programme was conducted at the office of the Ministry of Education in the Western Province for Directors of Education of the province.

#### **6.3.1.4. Awareness through Print and Electronic Media**

As part of the awareness programme 51 articles were published in newspapers during the year and also conducted a few radio/television programmes.

# Legal Division

## Overview

The Telecommunications Regulatory Commission of Sri Lanka is a regulatory body mandated under a statute to regulate the telecommunication 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. The Legal Division of the Commission plays an important role by assisting the Commission in its decision making process by providing legal advice and setting up procedures. The functions and the performance of the Legal Division during 2014 are set out in the rest of this chapter.

The Legal Division carried out the following functions in year 2014 in the exercise of the powers and duties of the Commission as per the Sri Lanka Telecommunication Act:

- Provided legal opinion/advice to the Commission on matters/documents requiring such opinion
- Drafted rules, regulations, orders, directives, guidelines and licenses for the Commission
- Referred matters relating to litigation to the Hon. Attorney General or private Counsel
- Represented the Commission in litigation and all matters relating thereto including drafting, filing etc.
- Drafted official letters, and other correspondence, Commission papers, contracts and agreements for the Commission
- Issuance of reseller Permits under Section 18A of the Sri Lanka Telecommunications Act
- Provided legal support to other Divisions when taking Regulatory action & enforcement measures under the Sri Lanka Telecommunication Act and the Finance Act. No. 11 of 2004
- Provided legal assistance to other institutions on Telecommunications related matters

<b>Activities / Tasks carried out in 2014</b> (Table 7.1)		
	<b>Activities / Tasks carried out in 2014</b>	<b>Progress (as a % of the total work)</b>
01	Provided legal opinion/advice to the Commission on matters/documents requiring such opinion	100%
02	Drafted rules, regulations, orders, directives, guidelines and licenses for the Commission	100%
03	Referred matters to the Hon. Attorney General or Private Counsel for litigations purposes	100%
04	Represented the Commission in litigation and all matters relating thereto including drafting, filing etc.	100%
05	Drafted official letters, and other correspondence, Commission papers, contracts and agreements for the Commission	90%
06	Issuance of Re seller Permits under Section 18A of the Sri Lanka Telecommunications Act	80%
07	Provided legal support to other Divisions for Regulatory action & enforcement measures under the Sri Lanka Telecommunications Act and the Finance Act. No. 11 of 2004	100%
08	Provided legal assistance to several other institutions on Telecommunications related matters	100%

In the year 2014 the Legal Division provided legal support to the Commission and the several Divisions/Units of the TRCSL on regulatory matters such as frequency licensing, vendor licensing, tariffs , compliance issues, consumer & awareness matters and in house legal matters relating to Administration and human resources. The officers of the Legal Division appeared before courts on behalf of TRCSL. In certain court cases TRCSL has obtained the services of Attorney General's Department and other Private Counsel. A brief description of major activities carried out by the Legal Division in 2014 is given below:

## **Litigation**

### **7.1. Cases in the Supreme Court/ Court of Appeal**

Few cases are pending before the Supreme Court and the Court of Appeal. Some cases have been filed primarily by broadcasting companies against regulatory decisions of TRCSL and the consumers.

### **7.2. Attending to the cases before courts/tribunal and Commissions**

There were many other cases filed in year 2014 and others that continued from previous years ranging from money recovery matters in the District Court, Commercial High Court and human resource related matters filed in the Labour Tribunal, Industrial Courts and Human Rights Commission (HRC).

As a part of enforcement drive, action was also initiated to launch prosecutions against those who were alleged to have committed offences violating the Sri Lanka Telecommunications Act.

### **7.3. Other matters**

The Legal Division also processed Court Orders relating to requests for information on mobile/ fixed phones and connections, during the year.

### **7.4 The aforesaid will be continued in year 2015.**



# Policy, International Relations & Licence Administration Division

## Overview

This Division comprises of three main Units, namely Policy, International Relations, and Licence Administration. The Division assists in developing telecommunications sector policies within the framework laid down in the Sri

Lanka Telecommunication Act, functions as a focal point when coordinating work related to international relations with international entities and also engages in facilitating the issue of system licences for the sector.

The functions of the Division are as follows:

## 8.1 Functions

### 8.1.1 Policy

- Giving Policy advice on matters relating to the telecommunication sector
- Conducting research studies with the assistance of Universities and research institutions
- Planning Projects

### 8.1.2 International Relations

- Co-coordinating the Commission's interaction with various international organizations [eg. International Telecommunication Union (ITU), Asia Pacific Telecommunity (APT), South Asian Association for Regional Co-operation (SAARC) etc.]
- Circulating information received from international organizations within the Commission
- Co-ordination of information gathering within the Commission and in the country as required by international organizations of which Sri Lanka is a member
- Providing required information to international organizations

### 8.1.3 Licence Administration

- Management of activities related to new, renewal and modification of system licences under Section 17 of the Sri Lanka Telecommunication Act, No.25 of 1991 as amended.
- Assessment of licence applications including investor's business plan, technical, economic, legal and consumer aspects.

## 8.2 Activities carried out in 2014

### 8.2.1 Conducting Research and Development in the Field of Telecommunications Sector

Among the duties of the Telecommunications Regulatory Commission of Sri Lanka (TRCSL) stipulated in the Sri Lanka Telecommunication Act, No.25 of 1991, as amended is the duty "to promote, in co- operation with operators or otherwise, research and development in telecommunication at universities and research institutes in Sri Lanka" (Section 5 (s) of the Act.)

Telecommunications Regulatory Commission of Sri Lanka provided financial assistance to local Universities engaged in conducting selected research studies in the field of telecommunications.

The final research report on "Development of a low cost measurement setup for microwave measurements up to 8 GHZ" by Dr.A.U.A.W Gunawardena /Faculty of Engineering / University of Peradeniya was presented to an audience comprising fixed and mobile operators and the TRCSL Research Committee.



*Presentation of Final Research Report by Dr.A.U.A.W Gunawardena*

### 8.2.2. ITU /TRC Assisted project on Connect a School; Connect a Community

The ITU Telecommunication Development Bureau (TDB) Connect a School, Connect a Community initiative is a pioneering programme designed to promote broadband Internet connectivity for schools around the world. Its purpose is to ensure that schools are well equipped to serve as community ICT centers for rural, marginalized urban and isolated areas.

The International Telecommunication Union (ITU) selected Sri Lanka as one of the five beneficiary countries for the extended school connectivity project held last year. TRCSL continued project activities with the support of Sri Lanka Telecom Ltd, Mobitel (Pvt.) Ltd and Dialog Axiata PLC. Licenced Operators provided broadband Internet connectivity to the schools covered by the project.

The project benefited 8560 students in 33 schools located in areas of low ICT development, while also educating children with special needs in 8 of these schools. Sixty (60) teachers have been trained to use ICTs, particularly on Linux. Access to the Internet is provided to these schools.



*Programme at Zahira College, Puttalam*



*Teacher Training Programme at Vauniya*

### **8.2.3. The Korean International IT Volunteers Programme**

The Korean International IT Volunteer (KIIV) programme is hosted by the Ministry of Public Administration and Security of Korea and managed by the National Information Society Agency of Korea (NIA) since 2001.

The Government of South Korea dispatches teams of Korean volunteers skilled in Information Technology (IT) annually to developing countries to provide advanced IT Technology.

Three teams arrived in Sri Lanka in July 2014 under a NIA / ITU / TRCSL program to engage in providing ICT training to selected groups during the months of July & August 2014. The NIA / ITU / TRCSL KIIV programme 2014 was co-ordinated by the ITU Regional Office for Asia and the Pacific for ICT enhancement in Sri Lanka.

The Telecommunications Regulatory Commission of Sri Lanka deployed these teams to train TRC staff members / Instructors of IT centers / students undergoing ICT training under the TRC e – NABLE project / students in selected Vocational Training Centers (VTCs) supervised by the Dept. of Social Service in Sri Lanka. The language of instruction was English. Around seventy five students with special needs underwent this IT training and were awarded TRCSL certificates after completion of the IT course.

Each of the three teams comprised 4 members drawn from 05 Korean Universities.

- The team known as the “IT Q” team in South Korea, comprised: Mr. Seong Tae Hun, Mr. Junghyun Kim, Ms. Soyeon Kim and Ms. Yeonsun Choi from Inha University and HanKook Foreign University of Computer Engineering, English and Culture.

■ The team known as the “Next Door KOREA” team in South Korea comprised: Mr. Tae Geun Kim, Mr.Sung Muk Kang, Ms. SoYeon Kim and Ms. Eun Ah Cha from Internet University and JoongAng University of Computer Engineering, Fashion and Business Administration.

■ The team known as the “Queuing” team in South Korea comprised: Mr. SeungYong Kim, Mr. Seungwon Cho, Ms. HyoYeon LIM and Ms. Nahyo Yoon from Hanyang University of Industrial Engineering and Media Communication.

Their syllabus includes IT topics such as: MS Office, Photoshop, Corel Draw, Hardware, illustrator, Macromedia & Video Editing (Web design / Programming) etc. and an introduction to various aspects of Korean culture.

We expect to see appreciable benefits accruing to the selected institutions and enhanced development of ICT skills among members of staff and students who underwent training by the Korean Volunteers.

Under the short term category the “Queuing” team and long term category the “Next Door KOREA” won the ITU best performance awards among other International IT Volunteers in this year. Students of these three KIIV-2014 teams were selected to attend the International Telecommunication Union Plenipotentiary Conference 2014 (PP-14) in Bexco, Busan, Republic of Korea on the basis of their creditable performance in Sri Lanka.



*Group Photograph with three KIIV-2014 Team Members*

#### **8.2.4 e-NABLE Project Awareness Programme- Southern Provincial Education Office, Galle**

The TRCSL e-NABLE project related awareness programme was conducted at the Southern Provincial Education Office (Non formal Education) with the participation of provincial education officials, Zonal Education Office Special Education Unit co-ordinators and Resource Center Managers at the Galle provincial education office auditorium. This programme was conducted at the invitation of the Non- formal Education Unit of the Southern Provincial Education Office in Galle.

Matters discussed during this awareness programme included reference to the objectives of the programme, project implementation information, benefits being provided for the schools' special education units with the assistance of TRCSL, licensed operators and the International Telecommunication Union.

All Zonal Education Office representatives from the Galle, Matara and Hambantota districts participated in the programme and discussed a wide range of issues including teachers' ICT training requirements, identification of schools' Special Education Unit ICT needs, the way of selecting schools for providing ICT facilities, the Operation and maintenance system, and inventory arrangement system etc. They also answered the survey questionnaire. The Southern Provincial Education office selected eighty needy special education units functioning at schools and special education resource centers to provide ICT facilities covering three districts.



*Awareness Program at Galle Education Office*

#### **8.2.5 International Telecommunication Union (ITU) National Workshop on Network Cost Modeling – Colombo, Sri Lanka, 16-20 June 2014**

In collaboration with the Telecommunications Regulatory Commission of Sri Lanka (TRCSL) the International Telecommunication Union (ITU) jointly organized the above national workshop from 16-20 June 2014 at the Grand Oriental Hotel, Colombo. Participation at the workshop was limited to the regulatory and stake holders staff. There were altogether 30 participants at this workshop. ITU expert Mr. Jim Holmes and Mr. Sameer Sharma, Senior Advisor of the ITU Regional Office represented the ITU.

Topics such as National Cost Modeling (NCM) in Regulation, Understanding Cost Standards, Types of Modes and Limitations, 3G Mobile Model, Cost allocation principles and application in 3G environment, Data issues, Cost Modeling for Next Generation Network(NGN) interconnection, Modeling for NGN Fixed Networks, Issues associated with existing Data Cost Structures, Licensing of Cable Landing Stations and Subsea cable systems, Addressing the Cable Landing Station monopoly were discussed at the workshop.

**Practical sessions were conducted on the following topics:**

Termination rate, Termination rates using Mobile Training Model, NGN Fixed Access, Cable Landing Station issues, Cable Landing Station Pricing, NGN Fixed Access.

The purpose of this workshop was to generate a better awareness and understanding of cost modeling for both the regulator and stake holders in the telecommunication sector. It helped to update knowledge on cost allocation in cost modeling for the purpose of calculating tariffs for the different services and interconnection charges. This was useful for the participants to become aware of the main changes to the cost structure of tariffs/interconnection charges under a NGN scenario.



*Group Photograph with Workshop Participants*



*Opening Session of the Workshop*

**8.2.6 ITU, FAO, TRC and DOA Meeting on “e-Agriculture Strategy”**

International Telecommunication Union (ITU) and Food and Agriculture Organization (FAO) being two UN specialized Agencies jointly organized pre testing National Consultation workshop on “e-Agriculture Strategy” guideline in Sri Lanka. With the assistance of the ITU, FAO and the Department of Agriculture (DOA) the Telecommunications Regulatory Commission of Sri Lanka organized and hosted this guideline pretesting meeting at the Hotel Janaki, in Colombo from 3-5 December 2014.

ITU and FAO selected Sri Lanka as one of the two countries in the region to have this guideline implemented. At this preliminary workshop TRCSL officials and Department of Agriculture (DOA) officials in Sri Lanka together with ITU and FAO experts and stake holders contributed by way of discussion and suggestions to develop the guideline.



*Workshop Participants*



*Group Photograph with Participants*

The final outcome of the meeting was the drawing of an e-Agriculture strategy draft plan for Sri Lanka.

### **8.2.7 ITU World Telecommunication /ICT Indicators Questionnaire Survey**

The mandate of the International Telecommunication Union (ITU) requires ITU to collect, update and provide data according to the key indicators which are included in the calculation of the ICT development index. The survey was conducted with the assistance of other Divisions of the TRCSL, and the stake holders' assistance and submitted the relevant information to the International Telecommunication Union within the time limits.

The survey data was used to update the World Telecommunication/ICT indicators data base, ITU statistical publication, year book of statistics and in evaluating the information society report. The data was also used by the UN system, the World Bank and other international and regional organizations.

### **8.2.8 Memorandum of Understanding between the Telecommunications Regulatory Commission of Sri Lanka (TRCSL) and the Telecom Regulatory Authority of India (TRAI)**

Considering the long standing ties of friendship established between the Democratic Socialist Republic of Sri Lanka and the Republic of India and the cordial relations that exist between the two countries, deriving from development bases, as well as from the growing economic and trade relations, TRAI and TRCSL have both co-operated readily within their own spheres and resources.

The Memorandum of Understanding between the Telecommunications Regulatory Commission of Sri Lanka (TRCSL) and the Telecom Regulatory Authority of India (TRAI) continue to be adhered to on a similar basis.

### **8.2.9 The World Telecommunication and Information Society Day (WTISD)**

The World Telecommunication and Information Society Day falls every year on 17th May. In 2014, the theme for the World Telecommunication and Information Society Day was "Broadband for Sustainable Development".

TRCSL conducted an awareness programme using the electronic media and news papers of the country regarding the theme for that day. The Division published special messages on the theme from H. E the President, the Minister of Telecommunication and ICT, Secretary - General of the ITU, Chairman of the TRCSL and Director - General of the TRCSL in newspaper supplements in several newspapers. Stakeholders also organized special events and the staff of TRCSL engaged in a theme celebration event during this day at the office premises.

## **8.3 International Organization Annual Membership Payments and Contributions**

Sri Lanka is a member of the International Telecommunication Union (ITU), Asia Pacific Telecommunity (APT), and Commonwealth Telecommunication Organization (CTO), South Asian

Federation for Infrastructure Regulation (SAFIR) etc. Subscriptions are paid on an annual basis to continue the membership in these institutions. An amount totaling Rs.70 Mn was paid as subscriptions to the institutions. See the Table below -for details.

**Payment of Subscriptions, 2014** (Table 8.1)

<b>Name of the Institution</b>	<b>Subscription (LKR)</b>
International Telecommunication Union (ITU)	23,969,737.77
Asia Pacific Telecommunity (APT)	1,811,412.52
Commonwealth Telecommunication Organization (CTO)	44,468,610.08
South Asian Federation for Infrastructure Regulation (SAFIR)	532,529.46
<b>Total</b>	<b>70,782,289.83</b>

TRCSL received technical assistance, expert assistance, project programmes, fellowship opportunities for capacity building development in the field of telecommunication/Information Communication Technologies from these institutions. In addition, TRCSL obtained various opportunities to speak, represent and make contributions at workshops and forums organized by international institutions.



*Students with Special Needs Receiving ITU Assistance*



*Sri Lankan Delegation Attending Plenipotentiary Conference*

### **Visit of Foreign Delegations**

The Division along with the support of other Divisions of TRCSL coordinated the visits of foreign delegates who visited Sri Lanka to participate in telecommunication regulatory activities such as training programmes, workshops, events etc.

### **8.4 Renewal of Licences**

The following operator licences were renewed during the year:-

**Dynacom Engineering (Pvt.) Ltd** - Trunk Mobile Radio Licence

**Mobitel (Pvt.) Ltd** -External Gateway Operator Licence

**Dialog Axiata PLC** - External Gateway Operator Licence

**Etisalat Lanka (Pvt.) Ltd** - External Gateway Operator Licence

**TATA Communications Lanka (Pvt.) Ltd** -External Gateway Operator Licence



**8.5 Remarks:**

The Division was able to complete most of the project work in 2014, except the e-NABLE project. This project component was included for the next year.

Under the ITU-TRC assisted "*Connect a School: Connect a Community*" project programme payments are to be made to stake holders for providing internet connection to the schools and also releasing the 5% retention fee to the related company according to the contract agreement.

Licences were renewed and applications for renewals are being processed.

# Administration & Corporate Affairs Division

## Overview

The scope of the Administration and Corporate Affairs Division (ACAD) encompasses a wide range of tasks, which are crucial for the smooth functioning of the organization. These include corporate planning and monitoring; coordination within the organization as well

as with outside organizations; human resource administration, provision of office requisites and supportive facilities for work; ensuring welfare of the staff; maintenance of the physical environment; provision of Information Technology infrastructure and the like.

The functions and performance of the ACAD are as follows :

## 9.1 Functions

- Preparation of rules, regulations and procedures in relation to human resources management and general administration
- Attending to all matters pertaining to recruitment, confirmation, performance appraisal, promotions, leave records, attendance, transfers, disciplinary control, release and retirement of staff
- Maintenance of personal files of the staff
- Preparing a personnel plan for the Commission along with job descriptions for each position in consultation with respective senior managers
- Preparing human resources development budget with senior functional heads
- Preparing annual staff training programme
- Coordinating training activities (both local and foreign) and making necessary travel, registration and other arrangements for trainees.

- Coordination of activities related to preparation of the annual report, corporate plan and action plan.
- Coordination of activities related to outsourced services such as security, cleaning, building maintenance and maintenance of machinery and equipment.
- Ensuring efficient supply of utility services such as electricity, water and telephone connectivity
- Maintenance of vehicle fleet
- Provision of logistic support to carry out activities of other Divisions of TRCSL
- Maintenance of inventory records and Stores
- Conduct annual survey of assets and make arrangements for disposal of unwanted and discarded items.
- Recommendation/Approval of payments
- Maintenance of additional storage facilities for official records (Record room)
- Coordination of activities related to submission of answers to parliamentary questions, submission of reports to the Auditor General and the Committee on Public Enterprises (COPE), and submission of Cabinet Memoranda.
- Communication with Department of Public Enterprises, Department of Management Services (DMS), and National Salaries and Cadres Commission.
- Coordination of all activities when participating in the Exhibitions and Conventions
- Ensuring occupational health and safety measures.
- Administering the life assurance and Medical Insurance Scheme for employees.
- Coordination of welfare activities to provide welfare services to the staff, handling grievances and counseling to provide financial and non-financial incentive packages.
- Handling Corporate Social Responsibility fund.
- Attending to Information Technology requirements of TRCSL
- Provision of an efficient library service
- Administration of the Media activities

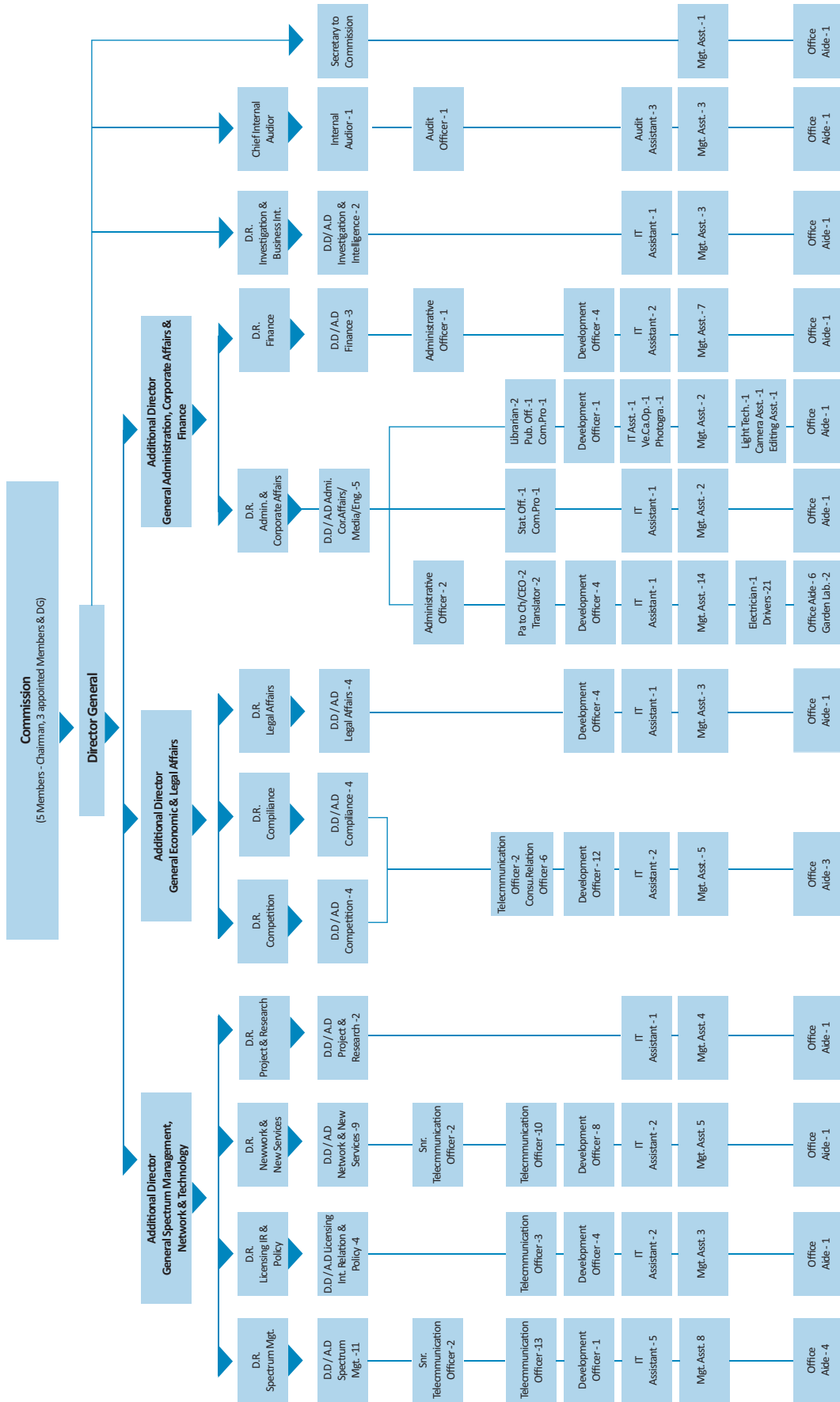
## 9.2 Performance

■ The permanent cadre of TRCSL consisted of thirty two (32) categories of employees and there were one hundred and ninety three (193) permanent employees, twenty one (21) contract employees and eighty eight (88) vacant posts in the year 2014. The cadre for the TRCSL was 290.

### 9.2.1 Re – organizing of Specified Administrative and Human Resource Activities

As per approved schemes of recruitment (SoR) in TRCSL, approval was granted to absorb the current staff to the corresponding posts in the new organizational structure that was approved by the Department of Management Services, with effect from 01st May 2014.

# Organization Structure



### 9.2.2 Issue of Office Circulars and Introduction of Office Procedures

During 2014, the Administration and Corporate Affairs Division issued Office circulars pertaining to following subject areas in order to streamline the respective areas and increase the productivity of the organization.

- Taking action to ensure that the salaries and other allowances are credited to private bank accounts of the employees
- Delegation of Financial Authorities
- Reimbursement of the interest on housing loans taken by the staff members of the TRCSL

### 9.2.3 Training

The TRCSL provided both local as well as overseas training and development opportunities to the staff for the purpose of enhancing their knowledge, developing skills and influencing attitudes. In addition, the senior staff of the TRCSL attended several high-level international forums related to Telecommunications regulatory affairs. Details relating to such forums and training programmes/seminars held in 2014 are given in Table 9.1

#### a) Overseas Programmes

<b>Participation in Training Programmes, Seminars and Forums (Table 9.1)</b>		
<b>Forum /Training/Seminar</b>	<b>Country</b>	<b>Funding Agency</b>
Ministerial Programme - 2014	Geneva/Spain	ITU
ITU-TRAI Workshop on Digital Television Broadcasting	India	ITU
2014 World Telecommunication Development Conference	Dubai	ITU
GSR Programme 2014	Bahrain	TRCSL
2014 Session of the Council	Geneva	TRCSL
ITU Plenipotentiary 2014	Korea	TRCSL
4th APT Preparatory Meeting	Thailand	APT
LAHES-NIU Executives Certificate in Leadership	USA	TRCSL
23rd APT Standardization Program Forum	Thailand	APT
ITU-T study Group2 Meeting on Telecommunication Management	Geneva	ITU
Enabling Frameworks for ICT Development	Singapore	ITU
16th APT Meeting of the APT Wireless Group	Thailand	APT
Conformity and Interoperability Training	Tunisia	APT
Working Party 1A/ Spectrum Management Techniques	Geneva	TRCSL
ITU World Radio Communication Seminar 2014	Geneva	TRCSL
Strengthening Disaster Preparedness in the Asia - Pacific Region Utilizing ICT for Public Safety	Japan	APT
Next Generation Mobile Communication System	Japan	APT
ITU-ACMA International Training Programme	Australia	ITU
5th Workshop on Disaster Management Communication	Japan	APT
Training Course on Smart City	China	APT
Radio Spectrum Management and Monitoring for Wireless Broadband	Japan	APT

Meeting of the SATRC working Group on Policy Regulation and Services	India	APT
3rd Meeting of the APT Conference Preparatory Group for WRC-15	Australia	APT
24th Meeting of the South Asian Telecommunication	Bhutan	APT
ITU Regional Radio Communication Seminar 2014	Viet Nam	TRCSL
ITU-R Study Group 6 Meeting on Broadcasting Services	Geneva	ITU
International Satellite Symposium 2014	Thailand	ITU
Spectrum Management Expert for Invitation Program	Korea	APT
ISDB-T Broadcasting Executive Seminar	Japan	JICA
14th APT Policy and Regulatory Forum	Thailand	APT
24th APT Standardization Program Forum	Bangkok	APT
Meeting of Study Group	Geneva	TRCSL
ITU Regional Forum	Thailand	TRCSL
Meeting of Joint Task Group 4-5-6-7- WRC-15	Geneva	TRCSL
Spectrum Management Course	Korea	KISA
Training on Mobile Telecommunication Tec. Serv.	Japan	APT
Invitation to the 5th APT Cyber Security Forum	Mongolia	APT
ITU-T Study Group 15, Networks, Technological and Infrastructures	Geneva	ITU
ITU Meeting of the working Party IB	Switzerland	ITU
Meeting of the SATRC Working Group on Spectrum	Iran	APT
The Planning & Coordination of Microwave and Radio Link Calculation	Germany	TRCSL
Training Course on Spectrum Management	India	APT
Information Security and Computer Communication	China	APT
Training Programme for Telecom Regulation and the Regulator	Thailand	APT
Broadband Technologies and Future Trends	India	ITEC
Next Generation Mobile Telecommunication Technology and its Application	China	APT
Cloud Computer	India	APT
Training Course on Latest Technological Trend Planning Methods and Standardization	Japan	APT
Commonwealth Cyber Security Forum -2014	London	CTO
ITU Regional Forum	Thailand	TRCSL
13th Session of the APT General Assembly	Myanmar	TRCSL
Training on Public Sector Modernization and Renewal	Italy	ILO
Colombo Lotus Tower Project	China	TRCSL
Ninth Internet of Things / Ministerial Programme 2014	Geneva/ Spain	TRCSL
2014 Session of the Council	Geneva	TRCSL
Executive Committee Meeting	UK	TRCSL
High Level Forum	Beijing	TRCSL
Commonwealth Domain Name System Forum	London	TRCSL
CTO Council Meeting and System Forum 2014	Bangladesh	CTO
ITU-ABU Pacific Media Partnership Conference 2014	Fiji	ITU

b) Local Programmes

Subject/ Scope of Training/Fellowship/Seminars	Institute/Venue
Workshop on Strategic Financial Analysis and Business Valuation with Excel	The Institute of Chartered Accountants of Sri Lanka
Consumer Protection Law Seminar	Colombo Hilton
Seminar on Government Gazette on the Tax Treatment of SLFRS/IFRS	The Institute of Chartered Accountants of Sri Lanka
Masters in Information System Management	Colombo University
One day Course on Pay as you earn scheme	The Institute of Chartered Accountants of Sri Lanka
Certificate of Stores Management	Institute of Construction Training and Development
Advance Diploma in Finance and Management Accounting	National Institute of Business Management
Sri Lanka Accounting Standards Seminar Series 2014	The Institute of Chartered Accountants of Sri Lanka
35th National Conference	The Institute of Chartered Accountants of Sri Lanka
Postgraduate Diploma in System Management 2014	Personnel Institute of Management
Diploma in Advance English	University of Colombo
Postgraduate Diploma in HRM and Personnel	Institute of Management and Technology

c) Reimbursement of Cost of Membership of Professional Association- 2014

No	Institute	No. of Members	Amount Rs.
01	Institute of Electrical & Electronics Engineers (IEEE)	3	34,070.79
02	Institution of Engineers of Sri Lanka (IESL)	6	26,400.00
03	Institute of Certified Professional Managers(CPM)	3	11,000.00
04	Institution of Engineering & Technology (IET-UK)	7	178,763.10
05	Institute of Chartered Secretaries & Administrators (UK)	1	35,228.21
06	Institute of Certified Management Accountants of Sri Lanka (ICMA)	1	7,500.00
07	Institute of Chartered Accountant of Sri Lanka (ICASL)	3	27,000.00
08	National Library & Documentation Services Board	1	500.00
09	Institute of Management of Sri Lanka( IMSL)	1	4,000.00
10	Association of Accounting Technicians of SL (AAT)	2	10,000.00
<b>Total</b>			<b>334,462.10</b>

#### 9.2.4 Procurement Activities

The Division coordinated all tasks relating to the supply of different types of goods and services to the Commission . These tasks included the preparation of bidding documents, publication of notices, appointment of Procurement Committees (PCs) and Technical Evaluation Committees (TECs), preparation of reports for obtaining required approvals, intimation of the decisions to relevant parties, preparation of service agreements in collaboration with the Legal Division as and when required and supervision of the work of the service providers and taking corrective measures when departures from obligations set out in the service agreements were observed.

During the period under review, the number of Junior and Senior Tender Board meetings held were 04 and 07 respectively. The total value of the procurements approved by the Junior Tender Board was Rs. 2.2 Mn. and the total value of the procurements approved by the Senior Tender Board was Rs 1.58 Bn. Accordingly, the total value of the procurements approved by the two tender boards was around Rs. 1582 Mn.

The Division ensured efficient supply of electricity, water and telephone services and also took all possible measures to ensure timely delivery of stationery, office equipment, machinery to all the Divisions of TRCSL.

The common objective in all these engagements was to supply the required services and materials within time for the smooth running of the organization in a transparent, cost effective and fair manner.

### **9.2.5 Maintenance of fleet of Vehicles**

The fleet of Vehicles of TRCSL consisted of eleven cars, four double cabs, five jeeps, four vans, one bus, three mobile monitoring vehicles, two motor bikes and one three-wheeler. The bus was used for inspection visits, transporting officials for exhibitions, staff welfare activities etc. Some vehicles of the fleet were allocated to officers who had been allowed the use of a designated vehicle and the other vehicles were used for official work such as inspection visits, participation in meetings/workshops/seminars, organizing exhibitions, collection of mail, hand delivery of official letters etc. An amount of Rs. 42.2 million was spent in 2014 for the repairs and maintenance of the vehicle fleet.

### **9.2.6 Annual Survey**

The annual survey for year 2013 was conducted in year 2014. A Board comprising 06 members was appointed to carry out the survey. The report of the Board was submitted to the management for further action. Items to be disposed off were identified and action was taken to dispose some of those items according to standard procedure.

### **9.2.7 Coordination of activities of the Deyata Kirula Exhibition**

The Deyata Kirula National Development Exhibition for year 2014 was held at Wayamba University premises in the Kurunegala District in line with the objectives of the Mahinda Chinthana to give priority to the development of rural areas in Sri Lanka. The ACAD in collaboration with the other Divisions of the TRCSL organized the stall of the TRCSL that exhibited the latest developments in the telecommunication field and also provided important information to the public with regard to the services offered by the TRCSL. The ACAD took the initiative in appointing the organizing committees, obtaining suitable exhibition slots, arranging accommodation and transport facilities for the staff and exhibits.



## 9.2.8 Staff Welfare Activities

### 9.2.8.1 Welfare Society

The Welfare Society of TRCSL comprising the members of the staff functions as an autonomous body under the management of an Executive Committee elected at the Annual General Meeting (AGM). The following welfare activities were carried out during the period under reference.

- i. Almsgiving for the Sujatha Elder's Home – Panadura
- ii. Dhamma Programme at TRCSL Head Office
- iii. Consumer Services
- iii) With the permission of the Management, the welfare society arranged sales counters operated by representatives of reputed vendors within TRCSL premises for the benefit of the staff.
- iv. Awareness Programmes
  - Organized an awareness program on “How we could minimize accident” and acquire knowledge of first aid service for the TRCSL staff. It was conducted by Ms. Pushpa Ramyani De Zoyza who is the national trainer at the National Hospital.
  - Organized a public lecture on child abuse and its' new trend by Mr. Buddhika Prasad Balachandra/A lecturer and Senior Police Superintendent at the Police Training School, Kalutara .
  - A lecture titled “Happy, working happily, productivity and how to look after our children” was delivered by Positive thinker, Dr. Sanath Gamage.

### 9.2.8.2 Annual Family Day

This was a two day programme held from 31st August to 01st September 2014 at Hotel Citrus and Hotel The Sands in Waskaduwa . The objective of the programme was to promote camaraderie and strengthen ties of friendship among the staff as well as their families, while giving them an opportunity to relax and enjoy the company of their families and friends in a holiday resort.

### 9.2.8.3 Annual Sports Meet

The 07th Annual Sports Meet of TRCSL was held on 23rd November 2014 at the Shalika Grounds, Colombo 05 under the aegis of the Sports Club of the TRCSL. The Director-General was the chief guest. Staff members irrespective of their title and rank participated on an equal footing and competed under the flags of three houses bearing the names i.e: Wijaya, Parakrama and Gemunu. A large number of staff members participated in several indoor and outdoor games including the track and field events. The sports meet was an opportunity for the staff to use their talents in athletics and also to build a team spirit as members belonging to a common institution.

### **9.3 IT Unit**

All the Divisions of the TRCSL use Information and Communication Technology in the performance of their work. The IT unit is charged with the responsibility of looking after the needs of the other Divisions in respect to IT requirements and ensure that these Divisions are supplied with both necessary IT equipment and services to enable them to perform their duties efficiently. The maintenance of an up-to-date ICT infrastructure is the responsibility of the IT Unit.

The following services were rendered during the year in question:

- Administration and maintenance of the TRCSL Mail Server, Domain Server (Active Directory-AD), Data Protection Manager (DPM)- (SCCM) System Center Configuration Manager, PCs (Personal Computers), Printers, Routers, etc.
- Administration of the Board PAC I Pad paperless meeting solution.
- Developing and designing IT applications for all the TRCSL Divisions
- Providing training on IT user base to TRCSL staff
- Collecting and disseminating information through exhibitions
- Providing wireless network solutions to selected Divisions
- Launched TRCSL Website developed by UCSC.
- Maintaining the TRCSL website under the guidance of the Content Management Team and Maintaining the CCTV camera system in TRCSL.

### **9.4 Library**

Telecommunications Industry is a rapidly growing area and therefore people working in this industry and others connected to it need to continuously develop and update their knowledge on this subject. The library of TRCSL has been established for this purpose. The TRCSL library has a large collection of text books and magazines on telecommunications and it is being continuously replenished in order to cater to the requirements of the users. The library provides reference facilities not only to TRCSL staff but also to visitors such as researchers, university students and school children as well.

The ACCD continuously maintained the library which contains several documents, books and periodicals on the telecommunications sector. In addition to books and magazines on Telecommunication, the library holds important reference materials on other subject areas such as Management, Law, Economics, Accountancy etc. The users of the library comprised TRCSL staff, university students, teachers, school students, researchers and librarians. It has facilitated gathering of information using internet and other library databases. Photocopy facilities were also made available to the users. In order to replenish library stocks several local and foreign publications were purchased in 2014 and a total sum of Rs. 150,308.75/= was spent for this purpose out of which Rs. 87,120/= was disbursed for books from overseas and Rs. 63,188.75 for local publications. In addition to purchasing the above books, the Library subscribed/renewed subscriptions to several magazines.

The TRCSL provided funds for subscribing to membership of the British Council. In the case of the Public Library, the staff members were required to obtain individual membership after the payment of the membership fee. Because of the possession of institutional membership, members of the TRCSL

staff could utilize the services of the above libraries readily. The possession of institutional membership enabled the TRCSL staff to borrow books/magazines etc. from the mobile library service of the Public Library. The Mobile library vehicles visited TRCSL premises almost every fortnight in 2014.

TRCSL Library coordinated with the National Library and other institutions such as the National Institute of Business Management (NIBM), Labor Department, National Science Foundation (NSF), University libraries etc. for providing inter library loan facility services to the TRCSL staff.

### **9.5. Media Activities**

When an important event of TRCSL takes place the staff of the Media Unit visit the venue and take photographs and record on video the event, edit the coverage and store them in the archival collection using modern technology. After obtaining approval of the Management the photographs and the video footage in DVDs or CDs are sent to various institutions with a view to making the public aware of the important services rendered by TRCSL.

# Internal Audit Division

## Overview

Internal auditing is an independent activity aimed at adding value and improving the operations of an establishment. It is a catalyst for improving an organization's effectiveness and efficiency by providing insight and recommendations based on analyses and assessments of data and business processes. With commitment to integrity and accountability, internal auditing provides value

to governing bodies and senior management as an objective source of independent advice. The scope of internal auditing within an organization is broad and may involve areas such as the efficacy of operations, the reliability of financial reporting, deterring and investigating fraud, safeguarding assets, and compliance with rules and regulations.

The Head of the Internal Audit Division (Chief Internal Auditor) of TRCSL directly reports to the Commission and the reports are submitted to the Audit Committee. Administratively, The Chief Internal Auditor reports to the Director General.

## Functions/Duties

- Review and appraisal of existing accounting and reporting systems of TRCSL with a view to making improvements thereto
- Investigation in to causes and effects of inadequacies (if any) to achieve the objectives of TRCSL
- Finding out the extent to which TRCSL assets are safeguarded from losses and frauds
- Making inquiries into the feasibility of transactions, benefits derived from 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 convene meetings of the Audit Committees.
- 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 the Director General / Commission from time to time

## 10.1. Performance

The progress of activities /tasks carried out by the Division during the year is summarized in table 10.1  
Table 10.1

**Progress of Activities - 2014** (Table 10.1)

<b>List of Items of Works /Tasks performed during the year</b>	<b>Progress (%)</b>
Convened four (04) Audit Committee meetings during the year. The cost incurred for the meetings during the year was Rs. 67,500/-	100%
Circulation of decisions taken by the Audit Committee	100%
Submission of Half Yearly reports to the Auditor -General's Department	100%
Checking of renewal of frequency licences and invoices	Sample check
Checking of non operating frequency operator files	Sample check
Checking of collection of Cess fees	Sample check
Checking of collection of Telecommunication Levy	Sample check
Checking of Vehicle loan files	Sample check
Checking of Distress loan files	Sample check
Checking of maintenance of loan records and guarantors' registers	Sample check
Checking of payments in respect of financial assistance for higher studies	100%
Checking of recurrent expenditure of Kokavil Tower	100%
Checking of quality of janitorial service and canteen service	Sample check
Prior audit of all vehicle loans granted during the year	100%
Checking and making recommendations for disbursement of Telecommunication Development Charges	100%
Study of internal control systems	Sample check
Checking of executive and contract employees personal files	Sample check
Checking of stock ledgers GRNs etc	Sample check
Checking of payment vouchers July 2014	100%
Contract agreements of employee	Sample check

# Special Projects Division

## Overview

With the rapid expansion in the Telecommunications industry, the TRCSL undertook to plan and commence several projects and engage in research work in order to facilitate and steer the development of a sustainable and viable industry. Accordingly, the Commission established a separate Division named Projects and Research Division in 2013. Presently the Projects and Research Division is entrusted to manage and oversee the work in progress of the Colombo Lotus Tower Project and Lotus Mall Project, while extending assistance to all other projects undertaken by TRCSL as and when directed by the Director-General. The Colombo Lotus Tower is a pioneering venture of a huge scale being carried out for the first time in Sri Lanka. Therefore, it is very important to closely work with the Project Consultants and the Contractor to resolve all critical field issues to ensure smooth and uninterrupted progress of construction work. The Division also closely works with the Cabinet Appointed Project Implementation Committee (CAPIC) where reported critical issues are

discussed and directions issued and decisions are taken with regard to modifications that are necessary for the initial design to make the tower appear to be contemporary and modern at the time of completion. The Division coordinates with other Government authorities in complying with statutory requirements. The Division is mostly based at the site office, i.e. Lotus Tower Site and closely monitors project progress with a team of specialised engineers. It also actively supports the Project Site Office Management to maintain a sound working environment among Client, Consultant and the Contractor. All staff members of the Division attend weekly project review meetings to represent and safeguard client's interest. Presently this Division functions with three TRCSL officials and two Engineers at site. The Director, Projects is entrusted with the responsibility of ensuring smooth implementation of the project from the start to successful completion with the guidance and direction of the CAPIC. Major functions of the Division include the following tasks:

## 11.1 Functions

- i. Coordination with the contractor, Treasury, Customs and various other Government and Local Government authorities that are responsible for approving technical and financial matters on project related imports, approvals etc.

- ii. Represent TRCSL on all Technical Meetings between Project Consultancy Unit (PCU) and main contractor and make recommendations to DG (Director -General), TRCSL on technical matters.
- iii. Review project reports and extend all necessary assistance to PCU on project management.
- iv. Assist PCU on contract administration and make recommendations to DG, TRCSL on project variations and other critical issues.
- v. Coordinate with Cabinet Appointed Project Implementation Committee and apprise them of the progress being made in the execution of the project.
- vi. Act as the accepting authority on behalf of the client during project acceptance phase.

### **11.2 Performance**

The performance of the Division during the year 2014 is summarized below:

1. Convened 35 nos. of Project Implementation Committee (CAPIC) Meetings.
2. Renewal of the Construction Permit/ Development Permit from Colombo Municipal Council (CMC).
3. Obtained the Environmental Clearance renewal permit from Central Environmental Authority (CEA).
4. Executed loan disbursements.
5. Regularized the VISA process for expatriate workers for the construction works.
6. Sought and obtained approval for materials importation clearance in consultation with Ministry of Finance and Planning and Customs Department.
7. Completed conceptual design of separate car park complex.
8. TRCSL successfully secured the approval of Cabinet of Ministers for the purchase of additional land required for vehicle parking facilities.
9. Conducted negotiations with UDA (Urban Development Authority) for acquiring the Postal Ministry land.
10. Finalized the design of sewerage, waste and storm water discharge system.
11. Finalization of design modifications to antennae mast to support ISDB-T system.
12. Finalized the procurement process for TV and FM broadcasting infrastructure partner.
13. Finalized commissioning IT service partner for Colombo Lotus Tower.
14. Finalized the approval process of TRCSL main building renovation.
15. Preliminary Operating cost model for the Colombo Lotus Tower has been completed.

### **11.3 Project Progress (Colombo Lotus Tower)**

China National Electronics Imports and Exports Corporation (CEIEC) has completed the tower body concreting works from 15 m level to 180m level height in 2014. Contractor has reported using 10,600 cubic meters of concrete and 750 metric tons of steel for the concreting works.



*Artist's view of the Colombo Lotus Tower after completion*



# National Broadband Initiative

## Overview

The National Broadband Initiative (NBI) was launched at the TRCSL in 2013 to spearhead the development of high speed broadband services in Sri Lanka. The NBI functions directly under the telecom regulator and it would be the focal point of accelerated broadband development in the country.

In addition to the promotion of high speed broadband services in the country through a

strategic process, this initiative would be overlooking not only areas directly related to the growth of high speed Internet services but also certain areas that are being used for numerous activities in modern economies. The quality measuring on broadband services plays a key role to assist service providers to improve the levels of their services that they cater to end users.

As another gigantic step the NBI of TRCSL has recently joined hands with the Ministry of Education (MoE) and service providers to provide high speed broadband Internet services to schools to link computer labs in the Island.

The MoE/TRCSL initiative will cater school computer labs with cost effective cutting-edge high speed Internet services with targeting speeds up to 100Mbps. This is an extension to the existing network of the MoE, known as the School Net that was started in 2006. The School Net II will cover 4000 schools during its initial stage and will be targeting to cover all school computer labs by 2020.

In this regard a pilot project has already been launched to cater Internet services to computer labs in selected schools in the country. These computer labs have been provided with cutting edge access services that include 4G LTE, HSPA and FTTx (Fiber Optic) with speeds up to 100Mbps per lab in areas where infrastructure supports.

### **12.2 NBI facilitated the First School Computer Lab with Fiber Optic Technology**

The country's first school computer lab to link through high speed Internet connectivity using Fiber Optic with 100Mbps is now connected under the joint venture of the MoE/NBI initiative. Another two leading schools have been provided with 100Mbps FTTx by linking more than 400 computer terminals with lightning fast access services.

### **12.3 A new tool has been developed to measure broadband and Wi-Fi speeds on Smartphones**

As more people rely on handheld devices and Smartphones to access the Internet when roaming within the coverage areas of recently launched Wi-Fi Hotspots in the country, the availability of a facility to measure access speeds of Internet services to determine how fast they can surf the Internet can be useful. In this regard NBI of TRCSL has developed an application to support Smartphones which runs on Android platform.

This application comes with hi-tech features such as Geo- Tagging (on Google Maps) and speed labeling. As soon as the subscriber completes his test his results will automatically be uploaded to TRCSL server for the purpose of plotting the relevant data on Google Maps. Not only it provides useful information to public about speeds, but it also helps the TRCSL to discover available speeds in different parts of the country with the aid of crowd- sourcing.

### **12.4 Broadband Internet Promotion through Public Utility Services**

A research work has been initiated to take broadband another step closer to the lives of general public through the utilization of modern applications. To highlight the potentials and the usefulness of Internet in day to day life, hi-tech modern applications that can be extended to the Internet platform will be examined for eligibility.

# Finance Division

## Overview

The paramount duty of the Finance Division is the Financial Management of TRCSL which includes all monetary related decisions of the Commission. Collection of Revenue and the optimum usage of such funds by way of proper investing are other key functions. The discharge

of the functions of the Financial Division such as controlling and spending is executed within the framework of statutory requirements such as relevant rules and regulations. e.g. Financial Regulations, Circulars and Commission decisions.

Also, maintenance of accurate financial records is one of the main responsibilities of the Finance Division because the Commission takes vital decisions on same. All government institutions are bound by law to submit the financial statements to the Auditor- General to verify the accuracy and completeness of the transactions and to ensure that all financial policies are in conformity with the Generally Accepted Accounting Principles and Sri Lanka Accounting Standards published by the Institute of Chartered Accountants of Sri Lanka and that the financial procedures comply with the Financial Regulations of the Government. In the year under review we have submitted our Financial Statements to the Auditor-General on the due date. The functions of the Finance Division are not confined to only recording of historical data in the Financial Statements but also to Financial Administration, cost control, project evaluation, development planning, and participating in strategic decision making effectively and efficiently as these are important functions of the Division.

## 13.2 Functions

- Reporting financial results , variation with budget/forecast and reasons for same
- Preparation of the annual budget/forecast
- Establishing and maintaining internal control system
- Maintaining records of all Fixed Assets and ensuring the security and optimum usage of same.
- Guiding and assisting the top management in implementing the Capital and Revenue expenditure programmes.
- Tax planning and compliance with relevant statutory authorities.
- Reviewing and analyzing periodic operational and financial reports such as the Auditors' Reports and Audit Committee Reports and taking corrective/ appropriate action to rectify the shortcomings and lapses, if any.

- Ensuring the prompt collection of different levies imposed by the Government and Acts 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 and Liabilities and providing information to the top management upon request.

### 13.3 Performance

#### 13.3.1 Revenue

The statutory power to impose and collect the revenue is vested in the Commission by the Sri Lanka Telecommunication Amendment Act, No. 27 of 1996. Accordingly, the Commission imposes / collects Revenue by way of “Radio License Fees, Cess Fees, System Operators License Fees, Vendor License Fees and other related fees from Public Switched Telephone Network (PSTN) operators and Radio Frequency users.

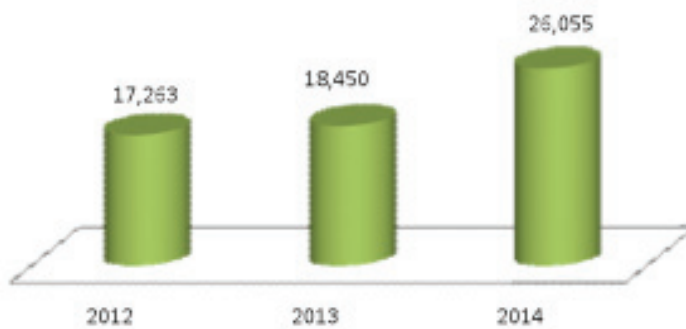
The revenue of the Commission from above sources is given in table 13.1 for the period 2012 to 2014. It can be observed that the revenue from these sources has increased by 69 percent from 2012 to 2013 while it has declined by 33 percent from 2013 to 2014. Zero contribution from frequency upfront fee and declines in system operator licence fee and sundry income have been the major contributing factors for the drop in revenue in 2014. However there have been substantial rises in cess collection, radio frequency licence fees and cordless phone dealer charges in 2014.

<b>Revenue of the Commission from 2012 – 2014 (Table 13.1)</b>			
<b>Source of Income</b>	<b>2014 (Rs. '000)</b>	<b>2013 (Rs. '000)</b>	<b>2012 (Rs. '000)</b>
System Operator License Fees	261,816	2,060,743	1,418,318
Cess Fees	3,651,983	3,500,556	3,514,976
Radio Frequency License Fees	8,672,210	8,226,963	6,532,361
Frequency Upfront Fees	0	5,661,039	367,347
Vendors License Fee	12,337	12,464	8,800
Amateur Radio License Fees	95	91	94
Ship Station License Fees	798	696	261
Aircraft License Fees	1,048	170	405
Cordless Phone Dealer Charges	51,506	24,911	20,055
Examination Fees	374	0.4	12
Application Processing Fees	1,020	1,633	7,143
Short Code Charges	8,418	8,163	6,122
Sundry Income ( Interest income from Fixed Deposits, Staff Loans etc.)	1,711,196	1,991,029	826,947
<b>Total</b>	<b>14,372,801</b>	<b>21,488,458.4</b>	<b>12,702,841</b>

### 13.3.2 Telecommunication Levy

The Government increased the rate of Telecommunication Levy by 5% with effect from 01.01.2014 and the present rate of Telecommunication levy is 25% of the value of the supply of Telecommunication Services other than the supply of internet service, by the operators. The value of supply of internet services is subject to a levy currently at the rate of 10%. The telecommunication levy for the period 2012 – 2014 is shown in chart 13.1. There has been a sharp increase of the levy collection (41 Percent) in 2014 when compared to the increase in 2013 (6.9 Percent).

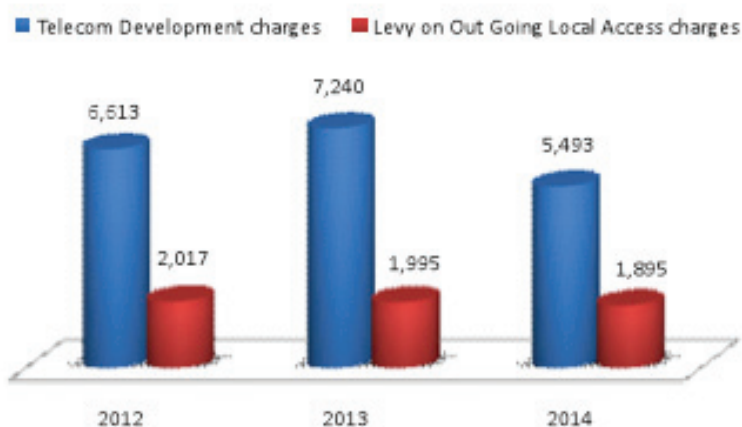
**Telecommunication Levy From 2012 to 2014 in Rs.Mn** (Chart 13.1)



### 13.3.3 International Telecommunication Operators' Levy

In addition to the above income, in terms of the Finance Act, No. 11 of 2004 as amended by the Finance Act, No. 13 of 2009, the Commission collected the International Telecommunication Operators' Levy of US \$ 0.30 per minute as a TDC (Telecommunication Development Charge) and a levy of Rs. 2.00 per minute from incoming and outgoing international calls respectively from International Telecommunication Operators.

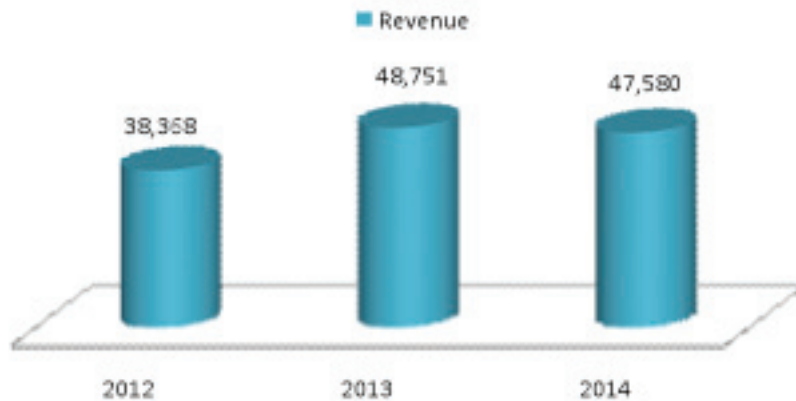
**International Telecommunication Operator's Levy From 2012 to 2014 in Rs. Mn.** (Chart 13.2)



### 13.3.4 Total revenue

The total revenue collected in terms of relevant Acts during the period 2012 to 2014 is graphically presented in chart 13.3. There has been a substantial increase in revenue (27%) from 2012 to 2013 while a slight decline (2.4%) has occurred in 2014.

**Total Revenue of TRCSL From 2012 to 2014 in Rs.Mn. (Chart 13.3)**



### 13.3.5 Remittance to the Consolidated Fund

In 2014, Rs. 41.3 Bn. was remitted to the Government Treasury by TRCSL registering a 17.7% increase when compared to the year 2013. This contribution has further consolidated government revenue.

### 13.3.6 Property, Plant and Equipment

Rs. 300 Mn. and Rs. 1.1 Mn. were expended to purchase the Land for the landmark Lotus Tower project and make further improvements/construction of the Kokavil Tower respectively, out of the Rs.341.6 Mn. allocated for the purchase of the Property, Plant and Equipment during the year 2014.

### 13.3.7 Investment

The Commission invested a sum of Rs. 7.7 Bn. in Government Securities under Re-Purchase agreements in year 2014 and Rs. 7 Bn. in the Peoples' Bank as Fixed Deposit. In addition, the Commission maintained the Money Market Daily Transaction account with People's Bank and earned Rs. 218 Mn. interest income through such money market transactions during the year 2014.

# FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

**TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**  
**STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2014**

*(Expressed in Sri Lanka Rupees)*

	NOTES		31.12.2013
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, Plant & Equipment	4	2,685,139,243	2,444,056,716
Work In Progress	5	7,813,876,621	4,843,082,281
Investment	6	7,375,835,000	17,776,135,000
Mobilization Advance Payment	6A	1,466,183,253	1,597,943,972
<b>TOTAL NON-CURRENT ASSETS</b>		<b>19,341,034,117</b>	<b>26,661,217,969</b>
<b>CURRENT ASSETS</b>			
Government Securities under Re-Purchase Agreement		7,700,000,000	1,114,000,000
Money Market Saving Account		4,896,916,886	49,695,842
Accounts Receivable	7	185,727,275	1,291,671,609
Other Receivables		640,000	640,000
Kokavil Tower Receivable		71,647,827	0
Distress Loans		32,923,417	23,500,693
Pre Payments		1,930,000	108,000
Special Advances		575	575
Festival Advances		195,758	125,258
Motor Vehicle Loans		89,560,302	40,495,317
Housing Loans		3,695,023	4,163,507
Motor Cycle Loans		703,294	563,026
VAT Control Account		141,398,308	142,663,074
Purchase Advances		247,640	137,140
Outstanding Staff Loans Recoverable		2,663,325	2,461,764
Air Ticket Receivable		279,271	0
Salary Deduction Recoverable		12,987	31,057
Interest Receivable on Fixed Deposits & REPO		100,110,654	1,001,718,707
Commissioner General of Inland Revenue (WHT)		259,023,878	84,154,187
Claimable Economic Service Charges		20,771,817	41,372,701
CESS Receivable		327,304,503	0
TDC Receivable		1,066,179,638	1,136,598,307
Levy on OLAC Receivable		152,120,503	168,544,617
Telecom. Levy Receivables		1,749,243,261	1,719,984,922



Cash At Banks	8	783,438,832	(805,872,890)
Cash In Hand	8A	100,849	99,773
<b>TOTAL CURRENT ASSETS</b>		<b>17,586,835,825</b>	<b>6,016,857,185</b>
<b>TOTAL ASSETS</b>		<b>36,927,869,942</b>	<b>32,678,075,157</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Government Contributions via			
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
Accumulated Surplus		25,579,563,170	21,056,069,246
Revaluation Surplus		37,380,000	53,580,000
<b>TOTAL EQUITY</b>		<b>26,143,157,914</b>	<b>21,635,863,990</b>
<b>NON-CURRENT LIABILITIES</b>			
International Telecommunications Operators Levy Fund	9	0	1,383,168,816
Project Loan - Exim Bank (Lotus Tower)		4,623,842,062	2,694,595,160
Retention - Lotus Tower		611,198,130	349,843,107
Retention - IT Park		4,024,107	0
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>5,239,064,299</b>	<b>4,427,607,084</b>
<b>TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA</b>			
<b>STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2014</b>			
<i>(Expressed in Sri Lanka Rupees)</i>			
		<i>(Contd. . .)</i>	
	<b>NOTES</b>		<b>31.12.2013</b>
<b>CURRENT LIABILITIES</b>			
Accounts Payable	9A	149,749,351	211,504,171
Deferred Income (Grant)		0	55,541
Projects Payable		0	51,390,725
Provision for Income Tax		425,404,724	427,429,305
C.T.O Telecenter Project Payables		924,492	924,492
Construction Creditors		751,650	751,650
Revenue Received in Advance		2,436,074,897	3,381,768,907
Refundable Deposits for Tender		1,574,667	1,443,774
Refundable Deposits -Employees		2,086,843	2,086,843
Advances Received for 1800 MHz Band		57,500,000	57,500,000
Provision for Gratuity		36,686,637	21,832,077
ICT for Effective Disaster Management Summit		34,210	34,210


Ins.claim for damaged Antenna		25	25
50% TDC Payable to Treasury		533,089,818	568,299,153
Levy on OLAC Payable to Treasury		152,120,503	168,549,617
Telecom Levy Payable to Treasury		1,749,649,913	1,721,032,594
Subscribers Levy Payable to Treasury		0	1,000
<b>TOTAL CURRENT LIABILITIES</b>		<b>5,545,647,729</b>	<b>6,614,604,083</b>
<b>TOTAL LIABILITIES</b>		<b>10,784,712,028</b>	<b>11,042,211,167</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>36,927,869,942</b>	<b>32,678,075,157</b>

The accounting policies and notes to the financial statements from page 07 to 22 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 31st December 2014 and its surplus for the period then ending.




**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.



**P. B. Abeykoon**  
Chairman



**M. M. Zuhair PC**  
Director General

<b>TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA</b>			
<b>STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED</b>			
<b>DECEMBER 31, 2014</b>			
<i>(Expressed in Sri Lanka Rupees)</i>			
	NOTES		<b>31.12.2013</b>
<b>Revenue</b>			
Income	10	14,136,865,663	21,066,462,563
Telecommunications Levy		26,055,119,580	18,449,721,208
Telecom Development Charges	10B	5,493,314,001	7,239,709,188
Levy on Out Going Local Access Charges		1,894,515,739	1,994,854,968
<b>Total Operating Income</b>		<b>47,579,814,985</b>	<b>48,750,747,927</b>
Less: Regulatory Expenses	11	(1,014,894,840)	(870,579,295)
<b>Net Total Operating Income</b>		<b>46,564,920,145</b>	<b>47,880,168,632</b>
<b>Less : Other Expenses</b>			
Administration & Establishment	12	458,526,710	424,785,476
Repairs & Maintenance	13	44,442,223	33,766,609
Finance & Others	14	1,882,198	284,369
Provision For Bad Debtors		(10,326,247)	83,367,539
Under / (Over) Provision	15	(195,028,261)	(27,523,249)
(Gain) / Loss on Foreign Currency Transactions		(726,181)	(1,788,673)
<b>Total Expenditure</b>		<b>298,770,441</b>	<b>512,892,071</b>
<b>Profit for the Year from Continuing Operations</b>		<b>46,266,149,704</b>	<b>47,367,276,561</b>
<b>Before Income Tax</b>			
Less: Income Tax		(403,729,456)	(429,396,238)
<b>Profit for the Year from Continuing Operations</b>		<b>45,862,420,248</b>	<b>46,937,880,323</b>
<b>After Income Tax</b>			
<b>Other Comprehensive Income</b>			
Gain/(Loss) on Gratuity Provision		(10,862,073)	(7,679,480)
<b>Total Other Comprehensive Income for the Year</b>		<b>(10,862,073)</b>	<b>(7,679,480)</b>
<b>Total Comprehensive Income for the Year After Tax</b>		<b>45,851,558,175</b>	<b>46,930,200,843</b>
<b>Less: Contribution to the Consolidated Fund</b>	16	(41,328,064,251)	(34,509,253,893)
<b>Total Comprehensive Income for the Year</b>		<b>4,523,493,924</b>	<b>12,420,946,950</b>

<b>After Contributing the Consolidated Fund</b>			
<b>Add:</b>			
<b>Total Comprehensive Income Brought Forward</b>		<b>21,056,069,246</b>	<b>8,635,122,296</b>
<b>Total Comprehensive Income Carried Forward</b>		<b>25,579,563,170</b>	<b>21,056,069,246</b>
<i>Note:</i>			
<b>Total contribution to the Consolidated Fund</b>			
<b>From Comprehensive Income</b>		<b>41,328,064,251</b>	<b>34,509,253,893</b>
<b>From International Telecommunications Operators Levy Fund</b>		<b>0</b>	<b>611,455,256</b>
<b>Total Contribution to the Consolidated Fund during the Year</b>		<b>41,328,064,251</b>	<b>35,120,709,149</b>

<b>TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA</b>			
<b>CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2014</b>			
<i>(Expressed in Sri Lanka Rupees)</i>			
			<b>31.12.2013</b>
Cash flows from operating activities			
Net profit before taxation		46,266,149,704	47,367,276,561
Adjustments for			
Depreciation on Property, Plant and Equipment		83,523,009	80,667,822
Provision for Bad & Doubtful Debtors		(10,326,247)	83,367,539
Provision for Gratuity		2,828,898	1,711,791
Interest Income from REPO		(41,692,802)	(125,915,602)
Interest Income from Money Market Transactions		(218,023,382)	(55,206,491)
Interest on Gratuity Provision		1,508,664	0
Gain on Foreign Currency Transactions		(726,181)	(1,788,673)
Gain /(Loss) on Disposal of Fixed Assets		(15,358,408)	(447,950)
		<b>(198,266,449)</b>	<b>80,667,822</b>
Operating Profit before working capital changes		<b>46,067,883,255</b>	<b>47,447,944,383</b>
Changes in Working Capital			
(Increase)/Decrease in Operating Assets			
Decrease in Accounts Receivable		1,116,270,580	101,838,239

Decrease in Other Receivable		0	250,001
Increase in Kokavil Tower Receivable		(71,647,827)	0
Increase in Distress Loans		(9,422,725)	(6,573,574)
Increase in Pre Payments		(1,822,000)	819,261
Increase in Festival Advances		(70,500)	5,000
Increase in Motor Vehicle Loans		(49,064,985)	9,815,717
Decrease in Housing Loans		468,484	479,340
Increase in Motor Cycle Loans		(140,268)	363,559
Decrease in VAT Control Account		1,264,766	(2,230,334)
Increase in Purchase Advances		(110,500)	(15,000)
Increase in Outstanding Staff Loans Recoverable		(201,561)	0
Increase in Air Ticket Receivable		(279,271)	516,790
Increase in Air Ticket Receivable - SAFIR		0	1,930
Decrease in Salary Deduction Recoverable		18,07	(18,070)
Decrease in Interest Receivable on Fixed Deposits & REPO		901,608,053	(899,907,518)
Increase in Commissioner General of Inland Revenue (WHT)		(174,869,691)	(82,864,233)
Decrease in Claimable Economic Service Charges		20,600,884	(24,391,839)
Increase in CESS Receivable		(327,304,503)	0
Decrease in TDC Receivable		70,418,669	158,757,028
Decrease in OLAC Charges Receivables		16,424,114	165,710,655
Increase in Telecom. Levy Receivables		(29,258,339)	(195,362,331)
Decrease in Accounts Payable		(61,754,820)	157,565,074
Decrease in Deferred Income (Grant)		(55,541)	(55,542)
Decrease in Miscellaneous Creditors		0	(172,750)
Decrease in Project Payable		(51,390,725)	(7,671,067)
Decrease in Revenue Received in Advance		(945,694,010)	595,430,968
Increase in Refundable Deposits for Tender		130,893	145,000
Decrease in ICT for Effective Disaster Management Summit		0	25
Decrease in Ins.claim for damaged Antenna		0	25
Decrease in 50% TDC Payable to Treasury		(35,209,334)	(84,445,990)
Decrease in OLAC Payable to Treasury		(16,429,114)	(165,705,655)

Increase in Telecom . Levy Payable to Treasury		28,617,31	184,705,645
Decrease in Subscribers Levy Payable to Treasury		(1,000)	1,000
Increase in Construction of PSTN Cubicles - Kokavil		0	(1,937,438)
Increase in Unclaimed Employees Benefit		0	(8,567)
		<b>381,095,117</b>	<b>(94,954,651)</b>
Gratuity Paid		(345,075)	(561,565)
Income Tax Paid		(405,754,037)	(230,219,972)
		<b>(406,099,112)</b>	<b>(230,781,537)</b>
Net Cash (Used in) / Generated from Operating Activities		<b>46,042,879,260</b>	<b>47,122,208,195</b>

<b>TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA</b>			
<b>CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2014</b>			
<i>(Expressed in Sri Lanka Rupees)</i>			
			<b>31.12.2013</b>
Cash flow from investing activities			
Lease Rental for Land - Lotus Tower		(300,000,000)	(300,000,000)
Construction of Buildings		0	(3,543,122)
Purchase of Computers		(21,008,757)	(1,082,717)
Purchase of Other Office Equipment		(1,513,082)	(1,361,217)
Purchases of Mobile Phones		(99,800)	(60,690)
Purchases of Office Furniture		(3,509,217)	(4,565,532)
Purchases of Vehicle		0	(108,194,002)
Purchases of Technical Equipment		(10,668,987)	(3,478,013)
Purchase of Air Conditioners		(1,976,983)	(2,312,173)
Construction of Kokavil Tower		(1,068,954)	(17,529,694)
Purchases of Gymnasium Equipment		(52,400)	(5,577,307)
Purchases of Video Unit Equipment		(1,678,440)	0
Sales of Fixed Assets		32,329,494	447,950
Construction Work		(2,970,794,340)	(2,789,803,611)
Surplus Fund Remitted to Consolidated Fund		(41,328,064,251)	(34,509,253,893)
Net Effect on change in Investment in Fixed Deposit		10,400,300,000	(15,821,452,445)
Net Effect on change in Mobilization Advance Payment		131,760,719	(1,597,943,972)

State Institution's Temp. Surplus Trust Fund-1		0	302,801,760
State Institution's Temp. Surplus Trust Fund-2		0	308,653,496
International Telecommunications Operators Levy Fund		(1,383,168,816)	(2,100,033,937)
Project Loan-Exim Bank(Lotus Tower)		1,929,246,902	2,694,595,160
Retention - Lotus Tower		261,355,023	349,843,107
Retention - IT Park		4,024,107	0
Effect on change in Revaluation Surplus		(16,200,000)	0
International Telecommunications Operators Levy Fund Remitted to the Treasury		0	(611,455,256)
<b>Net cash used in investing activities</b>		<b>(33,280,787,783)</b>	<b>(54,221,306,109)</b>
Cash flows from financing Activities			
Interest Income from REPO		41,692,802	125,915,602
Interest Income from Money Market Transactions		218,023,382	55,206,491
Net cash generated from / (used in) financing activities		<b>259,716,184</b>	<b>181,122,093</b>
(Decrease) / increase in cash and cash equivalents		<b>13,021,807,66</b>	<b>(6,917,975,822)</b>
<b>Cash and cash equivalent at beginning of period</b>			
Cash at Bank		(805,872,890)	332,648,145
Cash in hand		99,773	56,197
Investment in Money Market Savings Accounts		49,695,842	0.00
Investment in Gov.Securities Under Re-purchase Agreement		1,114,000,000	7,039,684,939.00
		<b>357,922,725</b>	<b>7,372,389,281</b>
<b>Cash and cash equivalent at end of period</b>			
Cash at Bank		783,438,832	(805,872,890)
Cash in hand		100,849	99,773
Investment in Money Market Savings Accounts		4,896,916,886	49,695,842
Investment in Gov.Securities Under Re-purchase Agreement		7,700,000,000	1,114,000,000
		<b>13,380,456,567</b>	<b>357,922,725</b>
<b>Change in cash and cash equivalent during the period</b>		<b>13,022,533,842</b>	<b>(7,014,466,556)</b>
Effect of exchange rate change		(726,181)	(1,788,673)
Change in cash and cash equivalent during the period		<b>13,021,807,661</b>	<b>(6,917,975,822)</b>

<b>TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA</b>				
<b>STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2014</b>				
<i>(Expressed in Thousands of Sri Lanka Rupees)</i>				
	<b>Government Contributions</b>	<b>Revaluation Surplus</b>	<b>Accumulated Surplus / (Deficits)</b>	<b>Total Equity</b>
Balance at 01st January 2013	526,214,744	53,580,000	8,635,122,296	9,214,917,040
Total Comprehensive Income for the Year Ended 31st December 2013	-	-	12,420,946,950	12,420,946,950
Balance at 31st December 2013	526,214,744	53,580,000	21,056,069,246	21,635,863,990
Balance at 01st January 2014	526,214,744	53,580,000	21,056,069,246	21,635,863,990
Total Comprehensive Income for the Year Ended 31st December 2014	-	-	4,523,493,924	4,523,493,924
Restated	-	(16,200,000)	-	(16,200,000)
Balance at 31st December 2014	526,214,744	37,380,000	25,579,563,170	26,143,157,914

**TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**  
**NOTES TO THE FINANCIAL STATEMENTS – 31.12.2014**

*(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.

**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 1st 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.

#### **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 effected. 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.

The fully depreciated vehicles of the Commission have been revalued and taken in to books of account of the Commission in 2010. All together 28 vehicles of the Commission have been revalued to Rs. 53,580,000/- and the depreciation for revalued vehicles has been provided at the rate of 12.5% for the year ended 31.12.2010.

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

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### 3.2.1 Property , Plant and Equipment (contd.)

#### (b) Depreciation (contd.)

##### 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
FMMS Equipment	Over 10 Years
Mobile Surveillance Vehicles	Over 08 Years
Web Server	Over 04 Years
Gymnasium Equipments	Over 04 Years
Video Unit Equipments	Over 04 Years

Full provision is made in the year of purchase and none in the year of disposal. An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use. Any gain or losses on de-recognition of the assets is included in the Statement of Comprehensive Income in the year the asset is de-recognized.

#### 3.2.2 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.

#### 3.2.3 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.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### 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.

#### 3.3.2 Employee Benefit

##### (a) Provision for Retiring Gratuity

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

Provision for gratuity is made by the Commission taking account of the following assumptions

Rate of interest 7% per annum  
Rate of salary increase 1% - 3.3%  
Retirement Age 60 years

The Commission will continue as a going concern

## **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.

### **3.4 REVENUE RECOGNITION**

Revenue is recognized on an accrual basis in terms of Sri Lanka Accounting Standard – LKAS 18 Revenue.

#### **3.4.1 Cess Fees is charged as a percentage (2%) on Operators' Turnover.**

**3.4.2** As Financial Year ending dates of Operators and the Commission are different, Cess fees are accounted based on projections prepared as per the available recent information in view to ensure the identification of revenue in the Accounts on accrual basis.

#### **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.

#### **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 29th 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, short-term Government Securities under Re-purchase agreements 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 source of income. An Income Tax expense is only recognized in interest income..

### **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.

### **3.6 (A) THE PROJECT - COLOMBO LOTUS TOWER**

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

The cost of the construction is 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. And 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 47% which includes the total work done including material at site was US\$ 46.24 Million. Retention held and advance recovery was US \$4.62 Million & US \$ 6.60 Million respectively as at 31-12-2014.

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

### **(B) THE PROJECT – IT PARK HAMBANTHOTA SOORIYAWEWA**

In terms of the Cabinet decision dated 04.07.2012, it was proposed to build a Telecommunications Media Center (TMC) in an area extending 800,000 sq.ft at Hambantota as IT park of which 200,000 sq.ft will be constructed in Phase 1.A comprehensive Project Financial Feasibility Study was carried

out by the KPMG and it has been found that the estimated cost for the project would be around Rs. 2,150 million and the payback period is 10 years.

In order to select the contractors for the project construction works, a Cabinet Appointed Procurement Committee (CAPC) and a Technical Evaluation Committee (TEC) were formulated. Sri Lanka Land Reclamation and Development Corporation (SLLRDC) have been selected as the Consultant for the project and the same institution carried out the conceptual designs and geotechnical investigations in regard to the project. The Bidding documents were formulated by the SLLRDC (as the project consultant), and the TEC (with the assistance of three Consultant Engineers retained by the TRCSL for such major contracts) evaluated the same bidding documents. With the approval of the CAPC the Invitation for Bids (IFB) was published in national newspapers in Dec 2013. Six responsive bids were received and evaluated by the TEC with the technical assistance of SLLRDC. The contractor, Thudawe Brothers was selected accordingly.

### **3.7 CONTINGENCIES**

There are TWELVE cases being heard in courts against TRCSL as at the Balance Sheet date, and two of which are claiming damages amounting to Rs.47,346,608,443.30.

**TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**

**NOTES TO ACCOUNTS -31.12.2014** (Contd...)

(Expressed in Sri Lanka Rupees)

<b>4 PROPERTY, PLANT &amp; EQUIPMENT</b>					
	BALANCE AS AT 01.01.2014	For the Year 2014		BALANCE AS AT 31.12.2014	
		ADDITIONS	DISPOSALS/ TRANSFERS		
Lands	148,235,572	0	0	148,235,572	
Land Lotus Tower	1,815,212,127	300,000,000	0	2,115,212,127	
Lease Hold Lands	345,502	0	0	345,502	
Buildings	150,557,925	0	176,861	150,381,065	
Kokavil Tower	313,864,526	1,068,954	0	314,933,479	
Vauniya Tower	29,900,741	0	0	29,900,741	
Vehicles	208,976,004	0	48,196,832	160,779,172	
Air conditioners	11,700,905	1,976,983	5,000	13,672,889	
Elevators	4,683,848	0	0	4,683,84	
Generators	2,665,428	0	0	2,665,428	
Computers	59,229,524	21,008,757	13,953	80,224,328	
Web Server	2,213,661	0	0	2,213,661	
Other Office Equipment	25,325,529	1,513,082	15,187	26,823,423	
Mobile Phones	705,590	99,800	1,014	804,377	
Office Furniture	16,697,666	3,509,217	105,584	20,101,299	
Technical Equipment	19,079,293	10,668,987	912	29,747,368	
FMMS Project Surveillance Vehicles	5,800,000	0	1,400,000	4,400,000	
FMMS Project Equipment	303,819,128	0	0	303,819,128	
Gymnasium Equipment	5,577,307	52,400	0	5,629,707	
Video Unit Equipment	9,290,235	1,678,440	7,616	10,961,059	
	<b>3,133,880,510</b>	<b>341,576,620</b>	<b>49,922,959</b>	<b>3,425,534,171</b>	

<b>DEPRECIATION</b>				
	<b>BALANCE AS AT 01.01.2014</b>	<b>For the Year 2014</b>		<b>BALANCE AS AT 31.12.2014</b>
		<b>ADDITIONS</b>	<b>DISPOSALS/ TRANSFERS</b>	
Buildings	98,694,704	7,527,896	8,843	106,213,757
Kokavil Tower	87,070,734	31,493,348	0	118,564,082
Vauniya Tower	8,970,222	2,990,074	0	11,960,297
Vehicles	77,597,091	19,576,102	31,898,584	65,274,609
Air Conditioners	8,555,241	649,318	73,608	9,130,951
Elevators	4,683,848	0	0	4,683,848
Generators	2,665,428	0	0	2,665,428
Computers	50,799,936	11,207,687	140,528	61,867,095
Web Server	2,213,661	0	0	2,213,661
Other Office Equipment	16,711,211	1,721,764	15,187	18,417,788
Mobile Phones	451,959	54,530	1,014	505,475
Office Furniture	9,506,772	1,584,714	105,584	10,985,902
Technical Equipment	9,455,127	2,768,135	912	12,222,350
FMMS Project Surveillance Vehicles	2,900,000	550,000	700,000	2,750,000
FMMS Project Equipment	300,728,799	639,654	0	301,368,453
Gymnasium Equipments	1,394,327	1,407,427	0	2,801,754
Video Unit Equipment	7,424,735	1,352,360	7,616	8,769,479
	<b>689,823,794</b>	<b>83,523,009</b>	<b>32,951,876</b>	<b>740,394,927</b>
<b>NET BOOK VALUE</b>	<b>2,444,056,716</b>			<b>2,685,139,24</b>
<p><i>Notes:</i>  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.</p>				



**TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**

**NOTES TO ACCOUNTS -31.12.2014** (Contd...)

(Expressed in Sri Lanka Rupees)

5	WORK IN PROGRESS	BALANCE AS AT 01.01.2014	For the Year 2014		BALANCE AS AT 31.12.2014
			ADDITIONS	(TRANSFERS)	
	Working Progress A/C	4,629,298		2,578,678	2,050,620
	Ren. of Entrance Lobby & Main H/O Building	0	0		0
	Construct. of Tower at Vauniya	0	0		0
	Construct. of Tower at Kokavil	0	0		0
	Construction of Lotus Tower	4,833,631,873	2,861,289,042		7,694,920,915
	IT Park - Hambantota	4,821,110	111,242,404		116,063,514
	Double Cab - Imported	0	841,572		841,572
	Renovation of Wash Room	0	0		0
		<b>4,843,082,281</b>	<b>2,973,373,018</b>	<b>2,578,678</b>	<b>7,813,876,621</b>

**TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA**

**NOTES TO ACCOUNTS -31.12.2014** (Contd...)

(Expressed in Sri Lanka Rupees)

				31.12.2013
6	<b>INVESTMENTS</b>			
	Treasury Deposits	354,000,000		354,000,000
	Fixed Deposit (Gratuity Provision)	21,835,000		11,635,000
	Fixed Deposit -People's Bank	7,000,000,000		17,410,500,000
		<b>7,375,835,000</b>		<b>17,776,135,000</b>
6A	<b>MOBILIZATION ADVANCE PAYMENT</b>			
	Mobilization Advance Payment -(LOTUS TOWER )	1,194,917,991		1,597,943,972
	Mobilization Advance Payment -(IT PARK)	271,265,262		0
		<b>1,466,183,253</b>		<b>1,597,943,972</b>

7	<b>ACCOUNTS RECEIVABLE</b>			
	TRADE DEBTORS			
	Radio Frequency Fees	540,796,923		1,249,302,981
	Cess Fees	(0)		407,757,020
	Armature Radio License Fees	22,474		29,977
		540,819,397		1,657,089,977
	Less - Provision for Bad Debtors **	(355,092,121)		(365,418,368)
		185,727,275		1,291,671,609
	Note:			
**	Provision for Bad Debtors		%	
	More Than 02 Years	355,054,492	100	365,234,949
	More Than 01 Year Less Than 02 Years	37,629	10	1,663,736
	More Than 6 Months & Less Than 01 Year	0	0	5,851,404
	More Than 2 Months & Less Than 6 Months	0	0	1,313,616
	More Than 01 Month & Less Than 2 months	0	0	53,960,345
	Less Than 01 Month	0	0	821,278,928
		355,092,121		1,249,302,979
<b>TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA</b>				
<b>NOTES TO ACCOUNTS -31.12.2014</b> (Contd. . .)				
(Expressed in Sri Lanka Rupees)				
				<b>31.12.2013</b>
8	<b>CASH AT BANK</b>			
	People's Bank - Narahenpita Branch, (Deposit Account) A/c NO.119/RFC/SA/USD/0032	71,953,150		69,605,499
	People's Bank - Narahenpita Branch, (Collection Account) Current A/c No.119-1-001-4-3693169	711,182,057		(877,263,724)
	People's Bank - Narahenpita Branch, (ITO Levy) Current A/c No. 119-1-001-3-3693264	225,296		468,632
	Bank of Ceylon - Narahenpita Branch Current A/c No.2323167	78,329		1,316,704
		783,438,832		(805,872,890)

8A	<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	0
	Petty Cash - Investigation	25,000	0
	Cash In Hand (Collection Account)	5,849	49,773
		<b>100,849</b>	<b>99,773</b>
9	<b>INTERNATIONAL TELECOMMUNICATION OPERATORS LEVY FUND</b>		
	International Telecommunications Operators Levy Fund	0	1,994,624,073
	LESS :Transferred to Consolidated Fund	0	(611,455,256)
		<b>0</b>	<b>1,383,168,816</b>
9A	<b>ACCOUNTS PAYABLE</b>		
	<b>ACCRUED EXPENSES</b>		
	Telephone - Office	390,303	279,804
	- Bungalow	0	222,000
	Salaries Control (Contract Employees)	2,054,051	147,783
	Salaries Payable	112,884	112,884
	W & O.P.Payable	115,625	0
	Electricity	2,625,748	3,214,597
	Water	83,658	1,126
	Janitorial Services	290,773	460,640
	Security Services	475,487	475,348
	Overtime	906,324	629,190
	E.P.F	492,214	19,545
	E.T.F	59,065	2,345
	Internet	1,109	265,259

	Medical Insurance Claims	250,995		269,251
	Staff Welfare	802,939		183,514
	News Papers & Notifications	154,210		3,349,352
	Audit Fees	1,198,520		1,193,240
	Lease Rental	182,324		0
	Bonus	23,425,346		15,841,167
	ACCRUED EXPENSES - Contd.			
	Retention	460,489		617,350
	2/3 Interest Reimbursement	0		97,557
	Comm.Gen.IR ( ESC,NBT & Stamp Duty)	34,495,266		38,510,974
	Salary Deductions	87,792		74,515
	Repairs & Maintenance Payable	58,366		7,943,259
	Fuel Payable	0		10,000
	Printing & Stationery	0		196,175
	Misc.Purchase & Supplies (Schedule - 1)	0		807
	Stamp Duty Payable	707,458		684,864
	PAYE Payable (Commission Members Allowances)	60,639		0
	Miscellaneous	80,257,764		136,701,625
		149,749,351		211,504,171
10	<b>INCOME</b>			
	System Operator License Fees	261,816,469		2,060,743,488
	Cess Fees	3,651,983,268		3,500,555,849
	Radio Frequency Fees	8,672,210,063		8,226,962,705
	Frequency Upfront Fees	0		5,661,038,940
	Vendor License Fees	12,336,975		12,464,222
	Amateur Radio License Fees	95,025		91,164
	Ship Station License Fees	797,624		695,779
	Aircraft Station License	1,047,703		170,067
	Cordless Phone Dealer Charges	51,506,290		24,910,893
	Examination Fees	374,130		394
	Application Processing Fees	1,020,408		1,632,573
	Short Code Charges	8,418,367		8,163,241
	Sundry Income (10 A)	1,711,196,261		1,991,028,937

		14,372,802,583	21,488,458,252
	Less :Nations Building Tax	(235,936,920)	(421,995,689)
		14,136,865,663	21,066,462,563
10A	<b>SUNDRY INCOME</b>		
	Interest Income from Staff Loans	4,602,837	2,809,521
	Interest Income from Deposits	1,430,589,214	1,797,259,030
	Interest Income from REPO	41,692,802	125,915,602
	Interest Income from Money Market Transactions	218,023,382	55,206,491
	Other Income (Grant)	55,541	1,430,608
	Gain / (Loss) on Disposal of Fixed Asset	15,358,408	447,95
	Recoveries from Court Cases	0	2,370,000
	Miscellaneous	874,077	5,589,735
		1,711,196,261	1,991,028,937
10B	<b>TELECOM DEVELOPMENT CHARGES</b>		
	TDC Revenue	6,756,857,862	7,239,709,188
	Less:		
	Disbursement of TDC	(1,263,543,860)	
	50% TDC Payable to Treasury	0	0
		5,493,314,001	7,239,709,188
11	<b>REGULATORY EXPENSES</b>		
	ITU Annual Subscription	23,969,738	21,578,591
	APT Annual Subscription	1,811,413	1,751,459
	SAFIR Annual Subscription	532,529	400,743
	Contribution to SATRC	2,001,806	1,984,743
	Library Annual Subscription	39,866	112,673
	CTO Annual Subscription	0	4,029,981
	Public Awareness Programmes	0	33,722
	Participating in Regulatory Affairs Work	44,975,546	31,374,547
	Filling & Depending Court Actions	1,321,127	4,563,820
	Public Awareness on Telecom Development	114,246	52,760

	Network Development Monitoring	289,816		231,297
	Conduct Research Studies	80,000		160,000
	Connect School/Con.Commu	9,982		25,383
	SATRC Meeting	4,468,610		0
	Miscellaneous Regulatory Expenses	1,321,727		15,049,217
	Communication Facilities for People with Special Needs	81,783		5,917,046
	Economic Social Responsibility	930,837,289		136,066,815
	Survey on quality of service	4,628		140,000
	Visiting of Foreign Delegates	1,109,497		1,034,081
	Commonwealth Peoples Forum	0		658,360,210
	Organizing Seminars	0		61,630
	Development of ICT Practices	1,228,622		0
	Lotus Tower Project	696,615		4,604,483
		1,014,894,840		887,533,201
	Less: Kokavil Tower Project	0		(16,953,906)
		1,014,894,840		870,579,295
12	<b>ADMINISTRATION &amp; ESTABLISHMENT EXPENSES</b>			
	Salaries	132,702,773		91,732,075
	E.P.F. (15% Contribution)	18,011,093		13,471,892
	E.T.F. (3% Contribution)	3,599,540		2,681,010
	Cost of Living Allowance	6,600		9,262,400
	Transport Allowance	17,165,125		16,845,116
	House Rent Allowance	10,514,537		7,555,960
	Other Allowances	1,765,965		2,030,751
	Performance Incentive	26,410,448		17,859,975
	Special Allowance	116,500		5,190,047
	Bonus	15,551,938		8,543,949
	Overtime	7,673,050		6,573,392
	Chairman's Remuneration	450,000		450,000
	Unutilized Vacation Leave	7,957,286		10,695,478
	Commission's Contribution for Pension	1,394,820		654,855
	Travelling Concession - Rail	0		5,000
	Bungalow Telephones	2,727,617		1,973,806
	Uniforms	438,464		473,917
	Staff Welfare	9,549,773		8,854,316

Development of Sports Activities	1,001,412		1,469,984
Staff Professional Membership Subscript	355,799		319,236
Local Training	1,519,112		1,289,840
Commission Members Allowance	82,500		60,000
Audit Committee Allowances	81,000		37,500
Housing Loan 2/3 Interest Reimbursement	4,185,803		3,486,313
Travelling & Subsistence	27,377		25,480
Gratuity	2,828,898		1,711,791
Electricity	13,701,743		42,150,759
Water	1,082,441		1,128,512
Janitorial Services	5,554,128		2,883,285
Security	5,421,718		5,411,527
Rates & Taxes	44,417		37,500
Library Books	146,240		2,008,520
Printing and Stationery	7,730,624		8,709,626
Fuel	4,968,382		4,881,749
Electrical Goods	487,153		296,160
Postage	1,092,259		994,581
Telephone, Fax and PABX	5,563,593		4,280,078
Insurance (Property & Medical)	43,613,393		39,627,779
Internet Charges	309,298		668,845
Vehicle Hiring Charges	1,665,790		2,400
Newspapers & Notifications	5,815,827		9,625,388
Consultancy fees	1,164,950		0
Seminars & Conferences	1,030,442		735,340
Audit Fees	600,000		0
Legal Expenses	146,935		263,909
Rentals for Leased Premises	2,602,634		2,385,893
Transport Chargers	50,010		0
Rentals for Internet Leased Line	3,889,020		3,082,665
Depreciation	83,523,009		80,667,822

	Administration Miscellaneous	1,682,681	915,297
	Purchases & Supplies Miscellaneous	415,459	742,321
	Operating Cost Miscellaneous	107,135	31,438
		458,526,710	424,785,478
13	<b>REPAIRS &amp; MAINTENANCE EXPENSES</b>		
	Office Equipment Maintenance	3,708,038	3,552,071
	Elevator Maintenance	1,070,000	0
	Vehicle Maintenance	4,035,878	7,071,568
	Building Maintenance	4,594,268	2,962,030
	Technical Equip. Maintenance	2,587,143	705,834
	Software Maintenance & Development	25,811,767	18,385,497
	Upgrade Lotus Dominion Server	239,400	0
	Monitoring System Upgrade	2,054,023	780,300
	Monitoring System Upgrade	341,705	290,060
	Rep. & Maint.Misc	0	19,250
		44,442,223	33,766,609
14	<b>FINANCE &amp; OTHER EXPENSES</b>		
	Bank Charges	350,959	249,544
	Stamp Duty	22,575	34,825
	Interest on Gratuity Provision	1,508,664	0
		1,882,198	284,369
15	<b>Under / (Over) Provision</b>	(Over) / Under Provision	(Over) / Under Provision
	Under estimated CESS Fee	23,615,823	0
	Under Provision of Interest Cost on gratuity provision	(1,370,262)	0
	Under Provision of Interest Income on Fixed deposit (gratuity)	1,370,262	0
	Cancellation of cheques	302,928	0
	Over provision of Dep:of Motor Vehicle	8,100,000	0
	Under Provision of PAYE on Bonus &Unutilized Vacation Leave Allowance	(1,750,478)	0
	Over provision of Dep:on Building	8,843	0
	Under Provision of Dep:of Motor Vehicle	(1,898,248)	0
	Over Provision of Dep:on Air Condition	68,608	0
	Over Provision of Dep:of Computers	126,575	0



	Over Provision of Participation of Regulatory Affairs	5,769,697		0
	Over Provision of Commonwealth Forum	60,000,000		0
	Over Provision of Electricity Chargers & Fuel Chargers	55,590,785		0
	Over Provision of CSR Project/Under Provision of Connected School & Connected Community/Over Provision of E-nable Project	45,093,729		0
		195,028,261		0
16	<b>CONTRIBUTION TO THE CONSOLIDATED FUND</b>			
	Contribution under Telecommunication Act	10,000,000,000		10,100,000,000
	Contribution under Finance Act			
	Telecommunication Levy Paid	26,055,119,580		18,449,721,208
	50% Telecommunication Development Charges	3,378,428,931		3,964,677,71
	Levy on OLAC Paid	1,894,515,739		1,994,854,968
		41,328,064,251		34,509,253,892



TM/H/TRC/1/14/25

16 July 2015

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 2014 in term of Section 14(2)(c) of the Finance Act, No. 39 of 1971**

---

The audit of financial statements of the Telecommunications Regulatory Commission of Sri Lanka for the year 2014 comprising the statement of financial position as at 31 December 2014 and the statement of financial profit or loss and other comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka 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 Act, No. 25 of 1991 as amended by the 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 will be furnished to the Chairman of the Commission in due course.

**1.2 Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.



### 1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International 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 judgment, including the assessment of the risks of material misstatement 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Subsections (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

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 for the effects of the matters described in paragraph 2.2 of this report the financial statements give a true and fair view of the financial position of the Telecommunications Regulatory Commission of Sri Lanka as at 31 December 2014 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

2.2.1 Sri Lanka Accounting Standards

Non-compliance with the following Sri Lanka Accounting Standards were observed during the course of audit.

Reference to Sri Lanka Accounting Standards	Non-compliance
(a) Accounting Standard No. 1	Even though an institution should show its expenditure either according to the nature of the expenditure or as they relate to the activities of the institution, a sum of Rs.930.8 million spent by the Commission on activities extraneous to the activities of the Commission had been shown as Regulatory Expenses in the financial statements. That expenditure represented 92 per cent of the regulatory expenditure of the year under review. The Chairman of the Commission informed me on 19 June 2015 that from the inception of the Commission, expenditure incurred on Corporate Social Responsibility had been shown as regulatory expenses, that it cannot be shown as an administrative expenditure as it is not an administration expenditure and that it was shown to



the financial statements as regulatory expenses as the Commission in its role as the regulator of the Telecommunications in Sri Lanka, it can introduce Corporate Social Responsibility as an expenditure related to Good Governance.

(b) Accounting Standard No. 8

A sum of Rs.195 million identified as a rectification of errors had been shown as a deduction from the expenditure of the year under review without making a retrospective adjustment to the comparative information.

(c) Accounting Standard 16

(i) Even though the depreciation of property, plant and equipment should commence from the date on which they are made fit for use, the Commission had adopted an accounting policy of not depreciating during the full year of purchase and during the year of disposal.

(ii) Out of the land 112 Acres 01 Rood 10.5 perches owned by the Commission, an extent of about 50 per cent had been acquired by the Divisional Secretary, Katana and the value of the entire land amounting to Rs.45 million had been shown under property, plant and equipment. Even though action should have been taken to revalue the assets and disclose at fair value in the financial statements, this had been shown only as a note to the financial statements during the preceding 12 years.



- (d) Accounting Standard 18
- (iii) Disclosure had not been made in the financial statements, in connection with fixed assets costing Rs.445.7 million fully depreciated as at 31 December of the year under review, had being used for operations.
  - (i) As the Operator Licences are renewed once every 10 years or 5 years, in the renewal of licence fees, the fees recovered in the year of renewal had been recognized as income of the year of renewal. But the related accounting policy had not been disclosed in the financial statements. As such the Operator Licence Fees which amounted to Rs.2,060 million in the preceding year had varied down to Rs.261 million during the year under review.
  - (ii) The accounting policy on the recognition of income from the sale of Frequency Upfront had not been disclosed in the financial statements.
  - (iii) The amount exchanged with the operators out of the recoveries made under International Telecommunication Operator Fees, had not been shown in the financial statements as an expenditure (refunded). Instead the net sum collected amounting to Rs. 5,493 million only had been recognized as the income in the financial statements.



(e) Accounting Standard 23

Out of loan of U.S.\$ 88.655 million obtained in the year 2012 for the Lotus Tower Project a sum of U.S.\$ 34.98 million had been spent up to the end of the year under review. Even though a borrowing cost of Rs.1,413 million had been incurred on this loan up to the end of the year under review, the eligible account of borrowing cost capitalized in terms of this Standard and the ratio of capitalizing had not been disclosed in the financial statements.

**2.2.2 Accounting Deficiencies**

The Frequency Licence Fee income for the year under review had been overstated in the financial statements by a sum of Rs.113 million as invoices valued at Rs.113,052,702 had been issued in respect of the preceding year during the year under review.

**2.3 Accounts Receivable and Payable**

The following observations are made.

- (a) Out of the debtors of the Commission as at the end of the year under review, a sum of Rs.355 million had been classified as debtors older than 2 years. Nevertheless, that balance included debtor balances remaining recoverable over periods exceeding 20 years.
- (b) A sum of Rs.116 million remained recoverable from the Sri Lanka Broadcasting Corporation as at 31 December of the year under review and 08 Frequencies had not been invoiced by December of the year under review.
- (c) The employees debtor balance remaining without being recovered over a period exceeding 02 years amounted to Rs.2 million.



- (d) Action had not been taken since June 2011 for the recovery of a sum of Rs.71.6 million being the cost of electricity bills and fuel for the electricity generators recoverable from the operators using the Kokavil Antenna and Transmission Tower.
- (e) According to the list of debtors balances, the number of debtors with negative balances amounting to Rs.999,418 had been 248 and those had been shown in the accounts continuously over a long period without taking action for the write off of the negative balance.

2.4 Non-compliance with Laws, Rules, Regulations and Management Decisions

Non-compliances with the following laws, rules, regulations, etc., were observed during the course of audit.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
(a) Section 11 of the Finance Act, No. 38 of 1971 and the Public Finance Circular No. PF/PE/09 of 27 June 2000	The Commission had invested a sum of Rs.14,700 million in fixed deposits in a Bank and Treasury Bills without the approval of the Treasury and the Commission had invested US\$ 420,000 in a Savings Bank Account in the year 2003.
(b) Public Enterprises Circular No. PE 56 of 27 January 2011	Even though the funds exceeding the capital requirements for 06 months of the Commission should be remitted to the Consolidated Fund, the Commission had not taken action accordingly.





(c) Public Contract Agreements Act,  
No. 3 of 1987

(i) Section 6(1)(a)

Whenever the cost of contract agreements exceeds Rs.5,000,000 every bidder should register with the Registrar of Public Contracts. Nevertheless, action had not been taken to ensure whether all the bidders for the construction of the Telecommunications Media Centre at the Hambanthota Information Technology Park, costing Rs.2,494 million had been bidders so registered.

(ii) Section 12

Even though the Procurement Committee and the Technical Evaluation Committee should ensure that the bidders are in possession of valid registration certificates, it had not been so done.

(d) Establishments Code of the  
Democratic Socialist Republic of  
Sri Lanka

(i) Section 2.3 of Chapter II

Even though a Scheme of Recruitment of officers and employees of the Commission prepared and approved by the Commission had been used, the approval of the Director General of Establishments had not been obtained for that. The Chairman of the Commission informed me on 19 June 2015 that the Commission had approved the Scheme of Recruitment in accordance with the powers vested in the Commission in terms of Section 22(c)(2) of Sri Lanka Telecommunications



- Act, No. 25 of 1991 as amended by the Telecommunications (Amendment) Act, No. 27 of 1996.
- (ii) Sections 12.5.4 and 12.6.1 of Chapter VII
- When an acting appointment is made, only 25 per cent of the salary of the acting post can be made. Nevertheless, two officers of the Commission appointed to act in posts had been paid 50 per cent of the salary of the acting post. The overpayment of 50 per cent allowance made from September 2013 to December 2014 amounted to Rs.460,000. The Chairman of the Commission informed me on 19 June 2015 that the payments were made in accordance with the Establishments Code approved by the Commission in terms of the above Section.
- (iii) Section 7.2.5 of Chapter XXIV
- Even though a motor vehicle loan can be obtained only once in 05 years, a Translator who had obtained a motor vehicle loan in May 2006 had settled that loan in June 2010 and obtained a further motor vehicle loan of Rs.1 million in the same year. Subsequently on 05 February 2014 the loan balance had been settled and another loan of Rs.2.7 million had been obtained on 12 March 2014. The Chairman of the Commission informed me on 19 June 2015 that such motor vehicle loans were paid in terms of circular No TRC/04/2012 of 14 August 2012.



- (e) Financial Regulation 757(2) of the Democratic Socialist Republic of Sri Lanka  
The Commission had not conducted a Board of Survey for the year under review and furnished reports to the Auditor General.
- (f) Circular No. 15/2007 dated 12 June 2007 of the Ministry of Public Administration and Home Affairs  
Even though instructions had been issued that motor vehicle loans should be granted through Commercial Banks, the Commission had paid motor vehicle loans amounting to Rs.64 million from the funds of the Commission to 35 officers during the year under review based on the Circular No. TRC/04/12 of 14 August 2013.
- (g) Paragraph 2.2 (b) of the Public Administration Circular No. 15/2007 of 12 June 2007 and Sub-section 7.4.1 of Chapter XXIV of the Establishments Code  
Interest at the rate of 4.2 per cent per year only had been recovered in terms of the above circular without making enquiries from the General Treasury on the interest that should be charged on motor vehicle loans.
- (h) Public Enterprises Circular No. PED/27 of 27 January 2005  
The draft Annual Report had not been furnished along with the annual accounts.
- (i) Circulars of Ministry of Finance and Planning  
(i) Paragraph 6 of the Circular No. 012010/01 of 11 October 2010  
Combined Allowance at US\$ 400 per day had been paid to 15 officers in Category II who had attended a Programme held in Korea from 19 October to 08 November 2014 considering them as belonging to Category I. As the Combined Allowance payable amounts to US\$ 320, the overpayment made amounted to Rs.1.9 million.



Section 6(v)

Where the payment of allowances for foreign travel exceeds 15 days, the approval of the Deputy Secretary to the Treasury should be obtained and such approval had not been obtained. Combined Allowance and Incidental Allowance amounting to Rs.870,844 had been paid to three officers at the rate of 6 days per officer without obtaining such approval.

- (ii) Paragraph 04 of Circular No. BD/CPB/1/1/2012 of 30 December 2011

Even though the maximum amount payable per officer as distress loan has been limited to Rs.250,000, a sum of Rs.9 million exceeding such limit had been paid to 39 officers in accordance with the Circular No. TRC/2012.

- (j) Letter No. PRE/2015/43 dated 22 November 2014 of the Commissioner of Elections

According to the Circular, any recruitment, appointment, promotions and transfer other than recruitments appointments, promotions and transfers duly made under the powers of the Public Service Commission and the Judicial Commission should not be made, from 21 November 2014, the date on which nominations were called for the Presidential Election 2015 and up to holding the election and declaration of results contrary to that, the Authority had conferred permanent status with effect from 01 January 2015 to 15 officers who had been recruited on contract basis.

- (k) Treasury Circular No. IAI/2002/02 of 28 November 2002

A separate Register of Fixed Assets had not been maintained for computers, accessories and software



## 2.5 Transactions not supported by Adequate Authority

The following observations are made.

- (a) Attendance allowance, bonus, communication allowance and rent allowance amounting to Rs.39 million had been paid based on the decision of the Commission without obtaining the approval of the Treasury.
- (b) Even though a monthly transport allowance of Rs.2,000 had been approved for the non-staff grade employees by the letter No. NSCC/3/ABC/24 dated 01 June 2007 of the National Salaries and Cadre Commission, a transport allowance of Rs.6,000 per month which exceeded the approved allowance had been paid. As such, the payments made exceeding the authority during the year under review amounted to Rs.17 million.
- (c) According to the Inland Revenue Act, No. 10 of 2006 and the subsequent amendments thereto, the Pay As You Earn Tax should be recovered from the salary of the officers and remitted to the Department of Inland Revenue. Nevertheless, Pay As You Earn Tax totaling Rs.6,782,889 had been remitted to the Department of Inland Revenue from the funds of the Commission without making recoveries from the officers.
- (d) A sum of Rs.455,000 per officer had been paid to 05 officers of the Commission for work done in connection with the Lotus Tower Projects contrary to the Management Services Circular No. 33 of 05 April 2007 and without obtaining the approval of the Cabinet of Ministers. Such payments made up to 31 December of the year under review amounted to Rs.10.9 million.



### 3. Financial Review

#### 3.1 Financial Results

According to the financial statements presented, the pre-tax profit of the Commission for the year under review amounted to Rs.46,266 million as compared with the corresponding pre-tax net profit of Rs.47,367 million in the preceding financial year, thus indicating a deterioration Rs.1,101 million in the financial results of the year under review as compared with the preceding year. The decrease of the fees received on the Operator Licences and the auction of frequencies by Rs.7,459 million had been the main reasons for the deterioration.

#### 3.2 Legal Action instituted against the Commission

External institutions, external individuals and the employees of the Commission had filed 13 cases in Courts against the Commission. Two external institutions had claimed compensation of Rs.47,346 million on account of non-operating of the Frequency Project and breach of contract agreement.

### 4. Operating Review

#### 4.1 Implementation of the Telecommunications Networks

The following observations are made.

- (a) Even though ensuring the proper functioning of the Telecommunications Networks of Sri Lanka in different provinces is one of the objectives of the Telecommunication Regulatory Commission, it was observed that various obstructions occur in the use of Frequencies. The Telecommunications Regulatory Commission of Sri Lanka had received 27 complaints from the Frequency operators and other individuals during the year under review on the obstructions that occurred in the use of Frequencies in corroborating the existence of such situation. The signal observation system of the Telecommunications Regulatory Commission is over 17 years old and as such the Chairman of the Commission informed me on 19 June 2015 that difficulties were experienced in the observation of the new radio waves.



- (b) An audit test check of a sample of 166 institutions for which Frequencies had been given, revealed that action on files of 58 institutions or 35 per cent had not been taken. It was further revealed that action on the files of 45 of those institutions had not been taken over a period of 10 years. Even though the normal practices in relation to the non-operating institutions is to seal the equipment of such institutions and close down, such action had not been taken up to date. As such, the possibility of the risk of such institutions operating without the payment of licence fees was observed.

#### 4.2 Operating Inefficiencies

The following observations are made.

- (a) Action had not been taken even by 25 March 2015 to obtain the audited final accounts of 07 Telecommunications Operator institutions and as such it had not been possible to establish the accuracy of the cess amounting to Rs.978 million received from those institutions.
- (b) Even though the Director General informed me on 28 June 2011 and 16 June 2012 that action would be taken for inclusion of provisions to the Telecommunications Act, to provide legal authority for the recovery of a penalty form the Operators who do not pay or delay the payment of the cess, such action had not been taken up to date.
- (c) A proper methodology had not been introduced for the collections of Frequencies income and out of the invoices issued up to 31 December of the year under review, payments had not been made for invoices valued at Rs.68 million even by 03 March 2015. Operators had been allowed to use the Frequencies without licences during the period of delay arising from the delay in obtaining the Frequencies Licences.
- (d) Invoices had not been issued over periods ranging from 04 to 20 years in connection with the Frequencies allocated to 20 institutions.



- (e) According to the Telecommunications Tax Act, No. 21 of 2011, Telecommunications Taxes should be paid to the Commission before the fifteenth day of the month following. Nevertheless, three institutions which should pay the taxes, had not paid the taxes for the years 2011, 2012 and the year under review.

#### 4.3 Transactions of Contentious Nature

The following observations are made.

- (a) The Secretary to the President is also the Chairman of the Commission and in accordance with a request made by him as the Secretary to the President, a sum of Rs.600 million had been paid to the Presidential Secretarial on 15 December 2014 based on a decision of the Commission and without the approved of the General Treasury for the implementation of a programme for encouraging the people to safeguard ethics and religious traditions, that is, for the distribution of sil cloths to elders and school children.
- (b) A sum of Rs.18 million had been spent for the printing and distribution of 30,000 diaries of the year 2015 to all the temples in the Island on the basis of a request made by a Co-ordinating Secretary to the President and a decision of the Commission.
- (c) A sum of Rs.2.5 million had been paid on a request made by the Ministry of Defence and Urban Development, to a company under the purview of the Urban Development Authority, for the printing of 500,000 copies of a religious booklet.
- (d) A sum of Rs.250 million had been granted on 31 December of the year under review to the Southern University which is being constructed at the John Kotelawala Defence University without the approval of the Cabinet of Ministers and the Treasury.





- (e) Renting of a building and purchase of office equipment in that connection
- (i) A building situated at Longden Place had been hired on rent for a period of one year with effect from November of the year under review on the payment of retention money covering 06 months amounting to Rs.1.8 million at the rate of Rs.300,000 per month based on a decision of the Commission without inviting quotations contrary to Financial Regulation 835(2)(c) and the provisions in the Circular No. CA/1/17/1 dated 14 May 2010 of the Secretary to the President.
  - (ii) Even though it was informed that building had been hired for the purpose of shifting certain offices of the Commission, necessitated by the proposal for the renovation of the Commission Building, it was, however, observed that neither the renovation of the Commission Building nor the shifting of the offices of the Commission to the hires building had taken place.
  - (iii) That building had been named as an Investigation Unit and a sum of Rs.10 million had been spent on the purchase of computers and other expenses.

#### 4.4 Uneconomic Transactions

Despite the award of the contract for obtaining consultancy services for the construction of the Hambanthota Information Technology Centre for an agreed sum of Rs.132 million to the Sri Lanka Land Reclamation and Development Corporation according to a decision of the Cabinet of Ministries, an additional sum of Rs.1.2 million had been paid to 03 external Consultants for a period of 04 months at the rate of Rs.100,000.



#### 4.5 Deficiencies in Contract Administration

The following observations are made.

##### (a) Construction of the Lotus Tower

- (i) According to the loan agreement entered into by the Excim Bank of China with the Telecommunications Regulatory Commission of Sri Lanka on 17 September 2012, the Excim Bank of China had agreed to make available a sum of US\$ 88,655 million to the Commission. According to the contract agreement, it had been agreed to complete the construction work by 12 May 2015, that is within 912 days. But the construction work had not been completed even by 13 July 2015. As such a commitment charge of 0.7 per cent had to be paid for the unutilized amount of the loan amounting to US\$ 53 million. As the repayment period of the loan as well had extended, the interest payable thereon as well had increased.
- (ii) Even though the Cabinet of Ministers had decided that in view of the national importance of the Lotus Tower Project, the Urban Development Authority should transfer the land selected for the construction of the tower on the basis of recovery of the development cost incurred up to date, action had been taken to pay a sum of Rs.11.7 billion instead of paying only the expenditure incurred by the Urban Development Authority. Out of that, a sum of Rs.2.1 billion had been paid during the year under review.
- (iii) A sum of Rs.1,145 million had been paid to an insurance company for insuring the loan. An agreement entered into with the insurance company in connection with the payment made for insurance had not been furnished and as such the impact of the delay in the construction on the insurance could not be ascertained.



- (iv) Even though the audit was informed that the plans will have to be revised from time to time during construction due to the complexity of the project, a report on the changes in the cost of contract, had not been prepared despite the elapse of 95 per cent of the work completion period.
- (v) According to the preliminary plans, the work of the tower should be in the last stage by the end of the year under review. Nevertheless, the progress of work completion of the project as at 16 March 2015 amounted to 46.87 per cent.
- (b) Construction of the Telecommunications Media Centre at the Hambanthota Information Technology Park.
- (i) Even though the approval of the Cabinet of Ministers for the Project had been obtained by stating that the overall cost of the Project is Rs.2,000 million approximately, according to the Engineering Estimate of the Project (excluding Value Added Tax) the Project cost had been increased up to Rs.2,663 million.
- (ii) The quotation offered by the contractor for the raised floor estimated at Rs.434 million, had been only Rs.130 million. Nevertheless, this contract had been later awarded as a sub-contract for Rs.449 million which included a sum of Rs.15 million as attendance allowance.  
As such the overpayment agreed to be made to the contractor amounted to Rs.319 million.
- (c) Modernisation of the Auditorium in the Ground Floor of the Commission Building
- (i) Instead of inviting open quotations for the modernization work in terms of Section 3.2.1 of the Procurement Guidelines, quotations had been invited from only one institution.



- (ii) The contract had been awarded for Rs.1,774,353 based on the quotations furnished by the contractor.
- (iii) Bid security and performance guarantee had not been obtained for the contract in terms of Sections 5.3.11(a) and 5.4.10 of the Procurement Guidelines respectively while agreements had not been entered into in terms of Section 8.9.1 (a).

#### 4.6 Staff Administration

The following observations are made.

- (a) Even though the approved staff of the Commission as at 31 December 2014 had been 291, the actual staff had been 207. As such 84 vacancies existed. The vacancies in the Spectrum Management Network and Technology Division and the Economic and Legal Affairs Division which make a primary contribution to the execution of the functions of the Commission, had been 42.
- (b) Eleven persons had been recruited to posts outside the approved staff. The approval of the Department of Management Services had not been obtained for the excess staff.
- (c) Even though an officer released from the Ministry of Public Administration should have been appointed to a post in Class I of the Public Management Assistants' Service, contrary to that he had placed in the post of Assistant Director (Administration) and provided the salary and other privileges attached to that post. He had been given an extension of service up to 31 July 2015.



5. Accountability and Good Governance

5.1 Corporate Plan

A Corporate Plan for the year 2014 had not been prepared.

5.2 Action Plan

An Annual Action Plan in terms of paragraph 04 of the Public Finance Circular No. 01/2014 of 17 February 2014 had not been prepared.

5.3 Procurement Plan

A Procurement Plan for the year under review in terms of paragraph 04(d) of the Public Finance Circular No. 01/2014 of 17 February 2014 had not been prepared by the Commission.

5.4 Budgetary Control

Material variances between the budgeted amounts of the budget prepared by the Commission and the actual amounts were observed. Certain variances ranged between 10 per cent to 19,980 per cent. A sum of Rs.14,478 million had been spent during the year under review for 08 items not included in the budget. Accordingly it was observed that the budget had not been made use of as an effective instrument of management control.

5.5 Tabling of Annual Reports

The Annual Reports for the years 2012 and 2013 had not been tabled in Parliament even by 19 June 2015.



6. **Systems and Controls**

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

- (a) Budget
- (b) Corporate Plan
- (c) Debtors
- (d) Investments
- (e) Procurement
- (f) Payment of Allowances
- (g) Contract Administration
- (h) Collection of Income

W.P.C.Wickramaratne  
Acting Auditor General



[www.trc.gov.lk](http://www.trc.gov.lk) | [dgtsl@trc.gov.lk](mailto:dgtsl@trc.gov.lk)