

**TELECOMMUNICATIONS REGULATORY
COMMISSION OF SRI LANKA
(TRCSL)**

ANNUAL REPORT

YEAR - 2015

**MESSAGE FROM
HIS EXCELLENCY
THE PRESIDENT**



Sri Lanka has seen a remarkable development in the field of telecommunications services since the year 1880, when the first cable network system was established. Today, the sector uses cutting edge technology and provides vital communication facilities. In the year, 2015 alone, the penetration rate of telephone usage has increased by of 116%, clearly indicating the huge upward trend.

Digital communication has transformed the global economy and lifestyles so vastly and quickly and as Sri Lankans, we too have experienced such new challenges and opportunities. During the year 2015, the Telecommunications Regulatory Commission of Sri Lanka has fulfilled a number of activities towards the development of the field of telecommunications. The expansion of fixed and mobile phone services in the rural areas has increased the access to telecommunication service in the rural sector significantly, bringing about real benefits to the people living in those areas. I am happy to note that TRCSL has prioritized creating a safe and healthy atmosphere for children and for the business community.

In comparison to other countries, Sri Lanka has secured commendable place in respect of telecommunication development with the active support of both private and public organizations.

I am glad to note that in the year 2015 the usage of mobile phones, number of license holders, revenue collected, income of

telecommunication Levy and Cess, have shown speedy progress. This fact itself is an important matter to prove efficiency of the commission. The substantial contribution rendered by TRCSL to develop the telecommunications sector in the Northern and Eastern Provinces is very admirable.

The Government extends in fullest support to the development of the telecommunication sector. I am, indeed, appreciative of the contribution made by TRCSL in respect of the telecommunications development in Sri Lanka, and wish all success in its endeavors to further develop telecommunications in Sri Lanka.



Maithripala Sirisena

President of the Democratic Socialist Republic of Sri Lanka

16th August, 2018.

MESSAGE OF THE CHAIRMAN -2015

In Sri Lanka, the ICT technology that emerged through this digital world is changing the life style of everybody. As a regulatory body of responsibility towards its nation, the Telecommunication Regulatory Commission of Sri Lanka (TRCSL) has involved with the rapid transformation of ICT today, to accompany with the development of this country. The annual report of TRCSL for 2015 indicates that this commission has rendered a valuable service to the nation of this country.

There was an upward trend in respect of issuing of subscriber licenses and assigning frequencies to the operators in the year 2015. Assigning of frequencies in 2015 was 1994, which was 44 % increase when compared with the year 2014. And also the issuing of licenses for spectrum uses was shown an increase of 141% when compared with the year 2014. In the matter of complain received and investigation undertaken, that total number of 29 of such cases received were investigated completely. Further ,the commission has issued 851 vendor licenses and issued 3304 import clearance letters during the year 2015.

In the year 2015, in order to expand the telecommunication service further, construction of new 93 transmission towers was completed by making the total towers into 6564 The usage of mobile phones; now a revolution in the field of telephone usage, has been increased during the year with an increase of 10%. But the usage of fixed access telephones decreased by 4%. The 'Lotus Telecommunication Tower ' is an unique giant construction in the history of telecommunication sector in Sri Lanka.

When it comes to financial progress, the income of the Telecommunication Regulatory Commission of Sri Lanka has shown an increase of Rs.656 million against the year 2014. At the same time the commission has contributed a sum of Rs.43,652 million to the consolidated fund during the corresponding year .In addition to this sum, an amount of Rs.842 million has been paid to Inland Revenue Department as taxes.

The valuable support of the Director General and the staff of the Telecommunication Regulatory Commission that, extended to achieve an acceptable and affordable service to the nation, which drive through a justified competitive market is highly appreciated.

Chairman,
TRCSL.

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ACRONYMS

APT	Asia Pacific Telecommunity
ARPU	Average Revenue Per User
CAPC	Cabinet Appointed Procurement Committee
CEIEC	China National Electronic Import & Export Corporation
CTO	Commonwealth Telecommunication Organization
DOA	Department Of Agriculture
EGO	External Gateway Operator
EOT	Extension Of Timing
EPF	Employee Provident Fund
ESC	Economic Service Charge
FAO	Food And Agriculture Organization
HSPA	High Speed Packet Access
ICT	Information & Communication Technology
IT	Information Technology
ITU	International Telecommunication Union
JICA	Japan International Corporation Agency
MOU	Memorandum Of Understanding
MVNO	Mobile Virtual Network Operators
OLAC	Outgoing Local Access Charges
PSTN	Public Switching Telephone Network
QOS	Quality Of Services
SAFIR	South Asian Federation For Infrastructure Regulation
SATRC	South Asian Telecommunication Regulators' Council
SLLRDC	Sri Lanka Land Reclamation & Development Corporation
SU	Surveillance Unit
TEC	Technical Evaluation Committee
TL	Telecommunications Levy
TMC	Telecommunications Media Center
TDC	Telecommunication Development Charges
TRCSL	Telecommunications Regulatory Commission of Sri Lanka
TSO	Telecommunications System Operators
YIL	Young ITC Leaders

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TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA (TRCSL) ORIGIN, VISION, MISSION, OBJECTIVES AND RESPONSIBILITIES

Origin

By the Sri Lanka Telecommunications Act, No. 25 of 1991 as amended by Sri Lanka Telecommunications Act, No. 27 of 1996, The Telecommunications Regulatory Commission of Sri Lanka (TRCSL) was established to carryout and monitor all the matters relating to the wellbeing of the telecommunications service and the industry of Sri Lanka. And therefore, the commission is the sole competence authority to handle any telecommunication matters in Sri Lanka.

The Composition and Meetings of the Commission

At present, there are five members in the commission and the Chairman of TRCSL is the secretary to His Excellency the President. The Chief Executive Officer is the Director General of TRCSL, who also a member of the commission. The other three Member who distinguished themselves in the fields of Law, Management and Finance respectively.

During year of 2015, the commission met in several occasions to discuss and address the issues related to the regulatory matters including commission's budget administrative issues, hosting of international regulatory conferences etc. . In these occasions the commission was able to take necessary decisions and granted approvals considering the merits of the claims.

Vision

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

Mission

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

Interpretation of the Mission Statement

To ensure 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.

Objectives:

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

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. 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.
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.
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

5. To promote the rapid and sustained development of telecommunication facilities both domestic and international.
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.
7. To promote research in to the development and use of new techniques in telecommunications and related fields.
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.
9. To promote the use of Sri Lanka's international transit services.

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:

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

3 Pricing

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

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.

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.

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

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.

8. Promote Good Governance

Ensure a transparent decision making process, encouraging public participation and delivering decisions without undue delay by adhering to principles of natural justice.

9. Ensure that the decisions are fair and impartial.

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

11. Ensure that all operators comply with the requirements laid down by the International Telecommunication Union (ITU) and relevant International Organizations in respect of both equipment and technical standards.

Functions of TRCSL

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

1. Processing applications and granting of licenses

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.

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.

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. Tariff Regulation

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.

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

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

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

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

According to 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.

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

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

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.

9. Specifying technical standards for telecommunication apparatus and type approval

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 2015 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.

PROFILE OF DIRECTORS AND THE SENIOR MANAGEMENT OF THE TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA (TRCSL) YEAR-2015

Commission

Mr. P.B. Abeykoon	- Chairman
Mr. Sunil S. Sirisena	- Director General, Member from 14/10/2015 onwards
Mr. Lalith Senanayake	- Member
Mr. Bandara Dissanayake	- Member
Mr. M.M. Zuhair	Member up to 12/10/2015
Mr. Parakrama Karunaratne,	Member up to 12/10/2015

Principal Staff of the Telecommunications Regulatory Commission

Mr. M.M. Zuhair	- Director General up to 12/10/2015
Mr. Sunil S. Sirisena	- Director General From 14/10/2015

Commission Office

Mrs. R.S. Goonaratne	- Actg. Secretary to the Commission
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Administration and Corporate Affairs, Economic and Legal Affairs

Mr. U.H.C. Priyantha	- Deputy Director -General, Administration & Corporate Affairs Actg.D.D.G, Economic & Legal Affaire.
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Administration and 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
Ms. Sriyani Mawallage - Deputy Director
Mr. Nishantha Palihawadena - Deputy Director

Legal Affairs

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

Spectrum Management Division

Mr. H.P. Karunaratne - 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 - Deputy Director
Mr. M.P Gunasinghe - Deputy Director

Network Division

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

Mr.I.M. Jawsu - Assistant Director
Policy, International Relations and License Administration Division

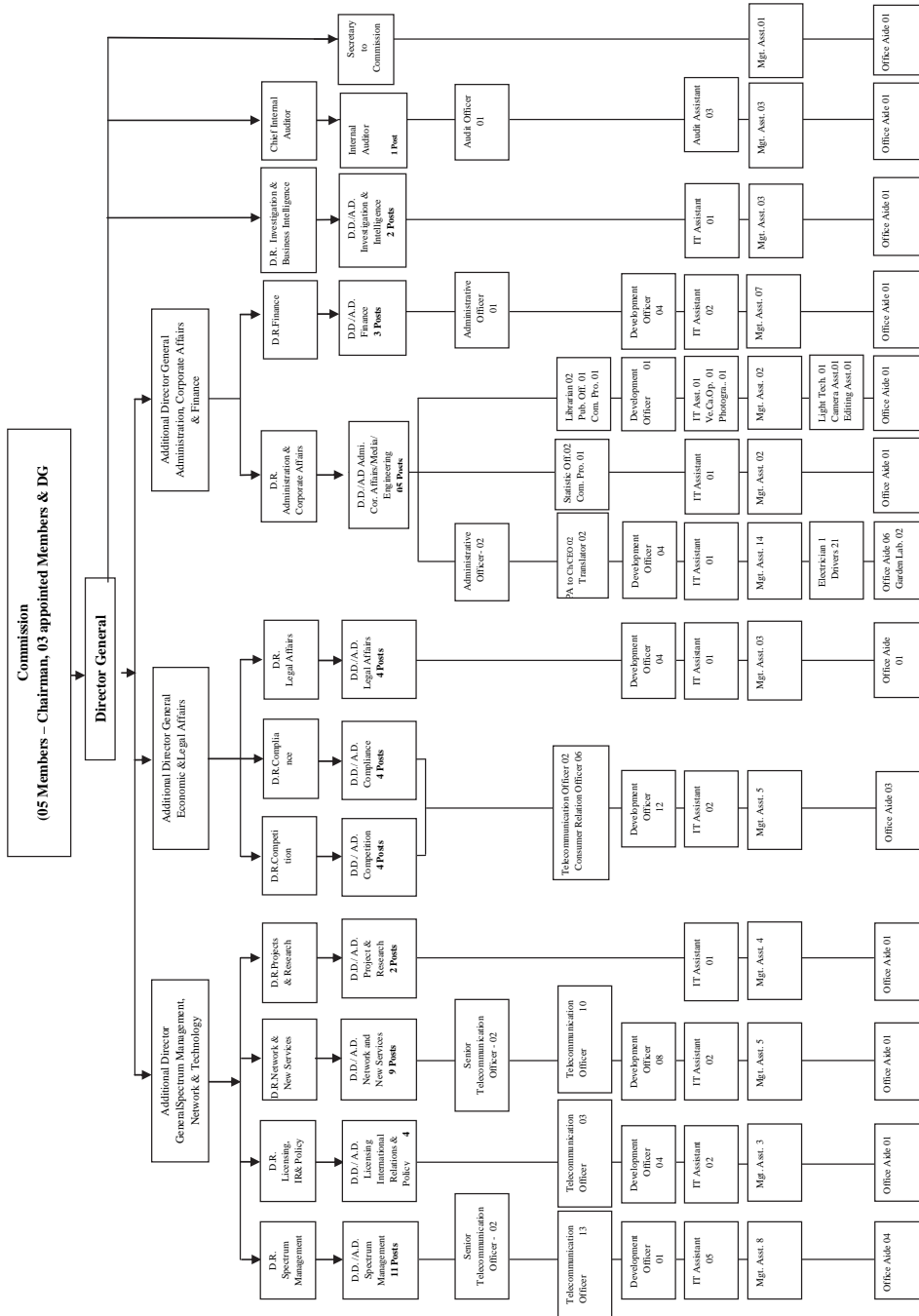
Mr.M.K. Jayasekara - Director
Mr. R.M.J.K.B. Rathnayake - Deputy Director

Project & Research Division

Mr. W.D.De Alwis - Director

Internal Audit Division - Chief Internal Auditor

Organization Structure – T.R.C.S.I



PROGRESS REVIEW BY THE DIRECTOR GENERAL OF THE TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA (TRCSL) FOR THE YEAR 2015

Telecommunications Regulatory Commission of Sri Lanka (TRCSL) is the competence authority for all the matters of the telecommunication services of Sri Lanka as vested by the Act No:25 of 1991 as amended by the Act No: 27 of 1996. As per the Act and the aspirations of the country, the commission handles telecommunication service, towards a better and efficient service, by facilitating with new telecommunication technologies and equipment that are being used in the developed world. In this connection, the TRCSL performs an important role by ensuring and encouraging the active participation of private sector which is an essential and compulsory matter to have a competitive service to render more benefits to the nation and as well as to the telecommunication industry of this country. The telecommunication industry and the technology is a fast developing sector of any economy in the world, and therefore be vigilance and keeping a close eye on the developed telecommunication world is a primary function of TRCSL.

During the period under consideration, the TRCSL has been able to encourage the private sector to bring the modern technology of this field to the country. The demand for broad band services driven by 3G and 4G, High Speed Packet Access (HSPA), Access to Voice Communication, Video Conference, Video Streaming, Mobile Television, Musical Stream and High Speed Internet are some of the areas that TRCSL could attend successfully. During the year 2015, the

use of mobile phone was on the upward trend and it was estimated that Sri Lanka also a country where 18 million out of 21 million of population are using mobile phones; that is approximately 90% which is in par with the level of a developed country.

There was an enormous development in respect of Telephone Subscriber Base during the past six years up to 2015 which can be further described as thus. As at 31 December 2015 the Mobile Subscriber base stood at 24,384,544 while the Fixed Access Subscriber base was at 2,601,196 in number. The mobile penetration level as at 31 December 2015 was over 116%. The Mobile Subscriber base demonstrated a growth of 10% in 2015 against the previous year. However, the Fixed Access subscriber base demonstrated a decline of 4% in 2015.

Table – 03.01
Total Revenue of Mobile and Fixed Operators (2010-2015)(In Rs. millions)

Category	2010	2011	2012	2013	2014	2015	% change 2010-2011	% change 2011-2012	% change 2012-2013	% change 2013-2014	% change 2014-2015
Mobile	17,267,407	18,319,447	20,324,070	20,447,508	22,123,000	24,384,544	6%	11%	-0.04%	8%	10%
Fixed Access	3,578,463	3,608,392	3,449,391	2,706,787	2,709,848	2,601,196	1%	-4%	-22%	0.1%	-4%
Total	20,845,870	21,927,839	23,773,461	23,154,295	24,832,848	26,985,740	5%	8%	-3%	7%	9%

In the Network Division Assigning of frequencies and licenses issued for spectrum users shown and increase as shown in the table given below.

Table -03.02
Statistics Related to Network Division for 2014-2015

Description	2014	2015
Total No. of Vendor licenses issued	867	851
Cumulative No. of Towers constructed	6471	6564
Total No. of Tower complaints received	90	122
Total No. of investigations handled(Tower related)	25	51
Total No. of court cases related to towers	4	2
Total No. of public awareness programs held	9	11
Total No. of New Type Approvals given	46	20
Total No. of issuance of Import clearances	3884	3304
Total No. of Individual Clearances	27	18
Cumulative No. of New Short codes issued	44	52

The Telecom System Operators (TSO) who play a major role in the telecommunication sector in Sri Lanka, were issued 28 numbers of system operator licenses during the year 2015 as follows.

Table - 03.03
Issued System Operator's Licenses -2015

<i>Category of Service</i>	<i>Issued No : of licenses</i>
Fixed Access Telephone Service	03
Cellular Mobile Phones	05
Data Communication (Facility base)	03
Data communication (Non-Facility base & ISPs)	01-09
Trunk Mobile Radio	01
Leased circuit provided	01
Licensed payphone service provided	01
External Gate Way Operators	07
Direct-to-Home Satellite Broad Casting Service	04
Cable TV Distribution Net Work	03

The growth of internet and E-mail subscribers during the year under consideration was made a considerable progress, with the help of TRCSL, in order to be par with the exiting global development in the telecommunication sector, which is now part and partial of any private or public sector activity. To enter in to the so called Global Village, the internet and the E-mail are fast vehicles, specially to financial and banking sector.

Usage of mobile internet and E-mail was in very much popular, than fixed internet during the period. Although the mobile broadband service started with a figure of 91,359, when the fixed internet number was 249,756 in the year 2009, the increase of mobile broadband internet number reached to 3,408,408 in the year 2015, making a less progress in respect of fixed internet subscribers, which were 682,512.

Table - 03.04

Growth of Internet and E-mail Subscribers 2004 - 2015

Year	Number of Subscribers			Growth Rates (%)		
	Fixed internet	Mobile Broad band	Fixed & Mobile Broadband	Fixed internet	Mobile Broad band	Fixed & Mobile Broadband
2004	93444		93444	9.3		9.3
2005	115000		115000	23.1		23.1
2006	130000		130000	13.0		13.0
2007	202348		202348	55.7		55.7
2008	234000		234000	15.6		15.6
2009	249756	91359	341115	6.7		45.8
2010	302000	200000	502000	20.9	118.9	47.2
2011	359000	485000	844000	18.9	142.5	68.1
2012	433194	942461	1365655	17.9	94.3	61.8
2013	507845	1664003	2171848	20.0	76.6	59.0
2014	606100	2790195	3396295	19.3	67.7	56.4
2015	682512	3408408	4090920	12.6	22.2	20.5

The total Call Duration was also in the increase from 77,603 to 91,683 (million minutes) during the period from 2011 to 2015 with regard to incoming and outgoing calls and the statistics are given bellow.

Table -03.05

Call Durations 2011-2015 (Milling Minutes)

Year	Incoming Calls			Outgoing Calls			Incoming & Outgoing Calls
	Local	International	Local & International	Local	International	Local & International	
2011	37684	1977	39661	37248	694	37942	77603
2012	41579	2023	43602	41425	711	42136	85738
2013	41633	1936	43569	41044	687	41731	85300
2014	43436	1934	45370	43616	656	44272	89642
2015	44757	1592	46349	44758	576	45334	91683

Since the telecommunication industry is a competitive and lucrative business field, the investments in both mobile and fixed access telephones was increased nearly up to 49 billons in the year 2015. The details are given bellow.

Table -03.06

**Investments of Mobile and Fixed Access Operators- 2015
(In Rs. millions)**

Category	2015
Mobile	22,703
Fixed Access	26,245
Total	48,948

The project “Connect a School; Connect a Community “which was a joined effort of International Telecommunication Union (ITU) and Telecommunications Regulatory Commission of Sri Lanka (TRCSL), gained much benefits to student and the special needy people of this country. The main aim of this project was to narrow the digital divided between rural and urban areas and provide digital opportunities to their communities. Transforming these schools in to Community ICT Centers was the aim. Helping marginalized and vulnerable groups such as women, indigenous people, disables and those who live under serve areas were being focused and the number of beneficiaries on this matter was 8560 student out of 34 schools. In this connection, the concerned education authorities were made aware on the matter while facilitating to have a successive plan.

It was a pleasing matter to mention, that a Korean international IT volunteer’ s program with the collaboration of TRCSL was held to enhance the IT knowledge of persons of special needs. A team of Korean IT students participated on this IT training and staff members, instructors and students at Seeduwa and Wavinna vocational training centers were the beneficiaries.

The meeting of South Asian Telecommunication Regulator’s Council (SATRC) on ‘Working Group of Spectrum’ was an important meeting held with the collaboration of TRCSL from 27th to 28th May 2015 in Colombo. At the end of the meeting following work items had been assigned to working group of spectrum giving more strength.

- a). Spectrum-reframing in SATRC countries.
- b). Spectrum equipment estimation for IMT in SATRC countries.
- c). Increasing the role of network sharing regulation for SATRC countries.(From passive network sharing to mobile virtual network connection)
- d). Non-Ionizing radiation safety in frequency bands used for mobile telephones.

During this period TRCSL was able to conduct a Symposium on Cloud Computing with the collaboration of ITU in Colombo from 28th to 30th in July 2015, and created awareness among stake holders about the future advancement and regulatory concerns in Cloud Computing; and was able to pave the way to stake holders to share their experience on this matter.

During the year of 2015, the TRCSL with the help of ITU and Food and Agriculture Organization (FAO) a workshop on “E-Agriculture Strategy” held at Gannoruwa in Peradeniy with the participation of Department Of Agriculture (DOA) and others. At the end of the meeting the strategies were acknowledged and it was aimed to make an ‘E-Agriculture Strategy’ for Sri Lanka in making best use of ICT development in the field of Agriculture.

And also it is pleasurable to mention that this institute could hold a very important survey on “World Telecommunication/ICT Indicators” to collect and update global data for the purpose of calculation of ICT Development Index. This ICT Index is being extensively relied upon by government institutes, international organizations, development banks and others worldwide. The TRCSL is pleased with the achievement in this connection.

In addition to the above activities the TRCSL was in participation on “The World Telecommunication Information Day” which was on 17th May of every year. The Commission was able to publish in its web site, the messages of H.E. The President, Hon. Prime Minister, Hon. Minister of Telecommunication and ICT, Secretary General of ITU, Chairman and Director General of TRCSL enabling the ICT concerned people to be aware of the importance of the day. In this connection a poster competition among certain age groups of students was held and the winners were awarded with prizes and encouraged them on ICT.

In the “Young ICT Leaders Forum 2015”, the TRCSL was able to send a young innovative participant to the forum which was held in Korea. In this forum the aim was to empower the next generation of ICT policy makers, develop the capacity of young professional to nurture the knowledge and exchange skills at international level. So we were able to send a young participant to the occasion.

Further, the TRCSL is very much concern to mention about the progress of unique construction project of the “Lotus Tower Project and Lotus Mall Project” which was aimed to support a sustainable and efficient telecommunication field in this country. The project is now on the verge

of completion and expect to be finalized its construction work in October 2017.

Although there were 88 vacant carder positions in the TRCSL during the year of 2015 the support of the existing staff extended to achieve the expected goals of the year 2015 is remarkable and admirable. In future years too, their valuable support is necessary to TRCSL be a successful institute of this nature.

DIVISION WISE PERFORMANCE REPORTS FOR THE YEAR 2015

At Present there are several sections in the Telecommunication Regulatory Commission of Sri Lanka (TRCSL) to carry out its functions smoothly and efficiently as per the powers vested by the Sri Lanka Telecommunication Act No. 25 of 1991, as amended by Act No. 27 of 1996, and therefore there are several directors to handle those sections. Hence it is essential to be presented the functions and the performances of these sections for the corresponding year of 2015, and the details are given bellow.

SPECTRUM MANAGEMENT DIVISION

The Spectrum management division of Telecommunication Regulatory Commission of Sri Lanka (TRCSL) is a vital division of this institute and it has been empowered to manage and control the use of the radio frequency spectrum and matters relating to the stationary satellite orbit by virtue of section 10 (a) of the Sri Lanka Telecommunication Act. In the corresponding year of 2015, this division, as per the section 22 of the relevant Act has shown a considerable progress in respect of discharging their duties. Assignment of frequencies is one of the main functions of this section and in the year 2015 following assigning has been done.

Table -04.01
Number of Frequencies Assigned, 2015

Category of Service	No. of Frequencies	
	2014	2015
<i>Fixed service</i>	1340	1914
<i>Broadcasting service (Television and Radio)</i>	07	39
<i>Cellular Mobile Service</i>	0	0
<i>Data / Radio Telemetry</i>	03/09	4
<i>Aeronautical & Maritime Service</i>		
(i) <i>Maritime Mobile Service</i>	0	0
(ii) <i>Aeronautical Mobile Service</i>	0	0
<i>Private Mobile Radio Service</i>	23	37

Issuing of frequency licenses also took place as usually in this year and the figures are given below.

Table -04.02
Number of Licenses Issued for Spectrum Users, 2015

Category of Service	No. of Licenses	
	2014	2015
<i>Fixed service</i>	59	121
<i>Broadcasting service (Television and Radio)</i>	40	40
<i>Cellular mobile service</i>	5	5
<i>Trunking / Paging/ Citizen Band</i>	9	4
<i>Data / Radio Telemetry Service</i>	10/16	11/16
<i>Aeronautical and Maritime Services</i>		
(i) <i>Aircraft stations</i>	66	72
(ii) <i>Ship stations</i>	89	84
(iii) <i>Maritime mobile</i>	265	1319
(iv) <i>Aeronautical mobile</i>	9	4
<i>Private mobile radio service</i>	211	247
<i>Satellite License (new + renewal)</i>	19	18
<i>Amateur Radio</i>	11	11

The complaints of frequency users whenever they experience interference effecting to their transmission, the Spectrum management division has to attend those matters promptly. The following is the statistic for 2015.

Table - 04.03

Complaints Received and Investigations Undertaken in 2015

<i>Service</i>	<i>No. of Complaints Received</i>		<i>No. of Investigations Undertaken</i>	
	<i>2014</i>	<i>2015</i>	<i>2014</i>	<i>2015</i>
<i>TV and Broadcasting</i>	<i>08</i>	<i>07</i>	<i>08</i>	<i>07</i>
<i>Other Services</i>	<i>40</i>	<i>22</i>	<i>40</i>	<i>22</i>

There were instances of ill legal users of frequency and in such instances, the division has to investigate them and take necessary actions. The following figure shows the details.

Table -04.04

Number of Illegal Users Identified and Preventive Action Taken in 2015

<i>Category</i>	<i>No. of Illegal Users Identified</i>		<i>Action Taken</i>
	<i>2014</i>	<i>2015</i>	
<i>Broadcasting service (TV and radio)</i>	<i>01</i>	<i>03</i>	<i>Pursued to prevent the illegal use</i>
<i>Other services</i>	<i>0</i>	<i>00</i>	

Issuing of Clearance reports for importation of wireless equipment also an important aspect of the division to assure the quality and the relevancy of the equipment and following number of clearance reports were issued.

Table -04.05

Number of Clearance Reports Issued in 2015

Category of Service	No. of Clearance Reports	
	2014	2015
<i>Fixed service including CDMA</i>	743	654
<i>Broadcasting service (TV and Radio)</i>	55	270
<i>Cellular Mobile Service</i>		
<i>(i) Dealer License</i>	4657	5911
<i>(ii) Mobile operators</i>	1117	1308
<i>(iii) Trunking / Paging / Citizen Band</i>	29	47
<i>(iv) Private Mobile Radio</i>	609	812
<i>Aeronautical & Maritime Service</i>		
<i>(i) Aircraft Station</i>	22	14
<i>(ii) Ship station</i>	13	14
<i>(iii) Maritime Mobile</i>	250	90
<i>(iv) Aeronautical Mobile</i>	02	7
<i>(v) Aeronautical navigation</i>	23	
<i>(vi) Miscellaneous (GPS, Tracking)</i>	623	
<i>Data service / Radio Telemetry</i>	110/07	242/20
<i>Satellite service</i>	1950	
<i>Amateur Radio</i>	15	21
<i>Low Power Devices</i>	1667	1900

NETWORK DIVISION

The network division of Telecommunication Regulatory Commission of Sri Lanka (TRCSL) is empowered to carry out several functions in accordance with the Telecommunication Act, as follows: -

- (a) Managing the national numbering plan of telecommunication industry of Sri Lanka.
- (b) Facilitation to development of telecommunication infrastructure.
- (c) Control and manage illegal operations of cable TV services (Section 22/A).
- (d) Approve the type of Telecommunication apparatus need to Telecommunication system (Section 5/q)
- (e) Licensing of Telecommunication equipment vendors (Section 21).
- (f) Public awareness and investigation on illegal vendors.

The statistic related to the Network Division in this regard are shown in the following table

Table -04.06
Statistics Related to Network Division for 2014-2015

Description	2014	2015
Total No. of Vendor licenses issued	867	851
Cumulative No. of Towers constructed	6471	6564
Total No. of Tower complaints received	90	122
Total No. of investigations handled (Tower related)	25	51
Total No. of court cases related to towers	4	2
Total No. of public awareness programs held	9	11
Total No. of New Type Approvals given	46	20
Total No. of issuance of Import clearances	3884	3304
Total No. of Individual Clearances	27	18
Cumulative No. of New Short codes issued	44	52

During this year also both public & private sector organizations were received short codes to discharge a better service through (TRCSL). The figures are as follows.

Table -04.07

Short Codes Assigned in 2015

For Government Organizations

Organization	Short Code
Department of Inland Revenue	1944

For Private Sector Organizations

Organization	Short Code
Laughs Holdings Limited.,	1311
Lanka Business Information Centre	1313
Digital Mobility Solutions Lanka (Pvt) Ltd.,	1331
Ceylon Hospitals PLC	1344
Sri Lanka Insurance Corporation Ltd.,	1357
Digital Health (Private) Ltd.,	1390
Dialog Axiata PLC (Touch Card System)	1393

Further, the TRCSL was able to construct new 93 Telecommunication towers making the total towers into 6564, conducted 11 public awareness programs, issued 20 type approvals with 3304 equipment clearance letters, and 851 vendor licenses during the year.

COMPETITION DIVISION

To ensure a reliable, affordable and quality Telecommunication services to the nation of Sri Lanka the Division of Competition has to perform several functions such as taking appropriate measures to promote fair competition in the industry, regulating tariff, directing operators, monitoring inter connection services, publishing industry information etc..

According to the data available in the competition division 38 system licenses have been granted under section 78 of the Act. During the relevant year a sum of Rs. 186 Billions of revenue has been generated by the license holders. There was an increase of 5% in revenue in both mobile and fixed access operators when compared to previous year. In the Average Revenue Per User (ARPU), a decline of 5% shown in

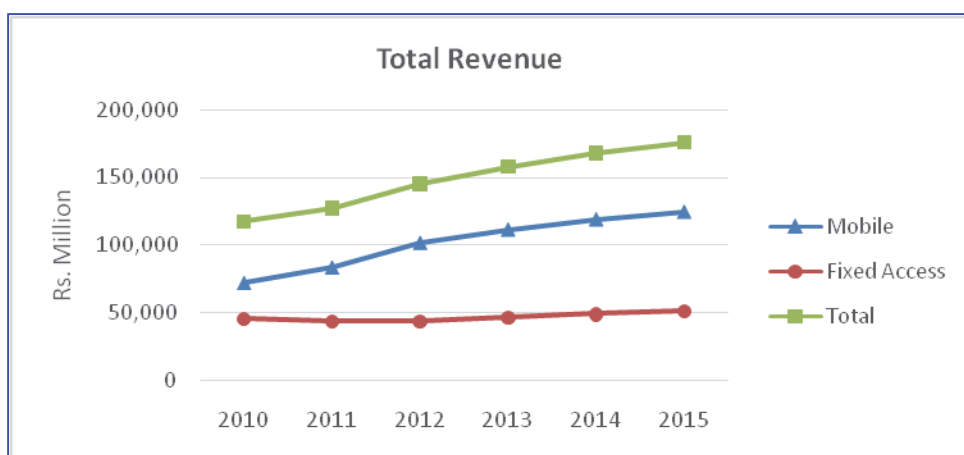
respect of mobile user while an increase of 9% in respect of Fixed Access segment in 2015 as against the previous year figures. And the net profit after tax was Rs.1,567 millions in respect of Fixed Access operators and a loss of Rs. 729 million was recorded in respect of mobile operators. Rs.23 Billions and Rs.26 Billions were invested during the year 2015 by mobile and Fixed Access operators respectively. The collection of both Telecommunication Levy(TL) and the Cess were on the increase during the corresponding year. Furthermore, a Levy which is for incoming international calls also implied to be paid to the TRCSL.

Table -04.08

Total Revenue of Mobile and Fixed Operators (2010-2015)

Category	2010	2011	2012	2013	2014	2015	% change 2010-2011	% change 2011-2012	% change 2012-2013	% change 2013-2014	% change 2014-2015
Mobile	72,160	83,530	101,704	111,586	119,144	125,120	16%	22%	10%	7%	5%
Fixed Access	45,300	43,660	43,403	46,318	48,652	51,138	-4%	-1%	7%	5%	5%
Total	117,460	127,190	145,107	157,904	167,796	176,258	8%	14%	9%	6%	5%

Chart - 04.01



Number of Subscribers and Annual Percentage Changers (2010-2015)

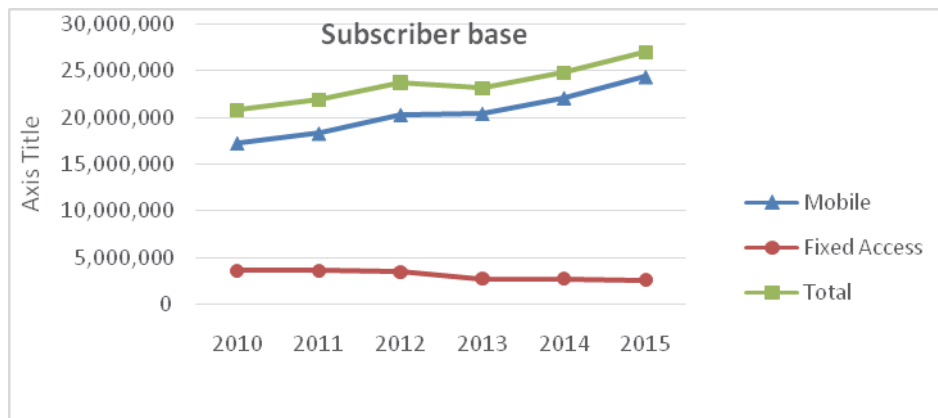
As at 31 December 2015 the Mobile Subscriber base stood at 24,384,544 while the Fixed Access Subscriber base was 2,601,196. The mobile penetration level as at 31 December 2015 was over 116%. The Mobile Subscriber base demonstrated a growth of 10% in 2015 against the previous year. However, the Fixed Access Operators demonstrated a decline in subscriber base of 4% in 2015.

Table -04.09

Number of Subscribers and Annual Percentage Changers (2010-2015)

Category	2010	2011	2012	2013	2014	2015	% change 2010-2011	% change 2011-2012	% change 2012-2013	% change 2013-2014	% change 2014-2015
Mobile	17,267,407	18,319,447	20,324,070	20,447,508	22,123,000	24,384,544	6%	11%	-0.04%	8%	10%
Fixed Access	3,578,463	3,608,392	3,449,391	2,706,787	2,709,848	2,601,196	1%	-4%	-22%	0.1%	-4%
Total	20,845,870	21,927,839	23,773,461	23,154,295	24,832,848	26,985,740	5%	8%	-3%	7%	9%

Chart -04.02



Average Revenue per User (ARPU) and Annual Percentage Changers (2010-2015)

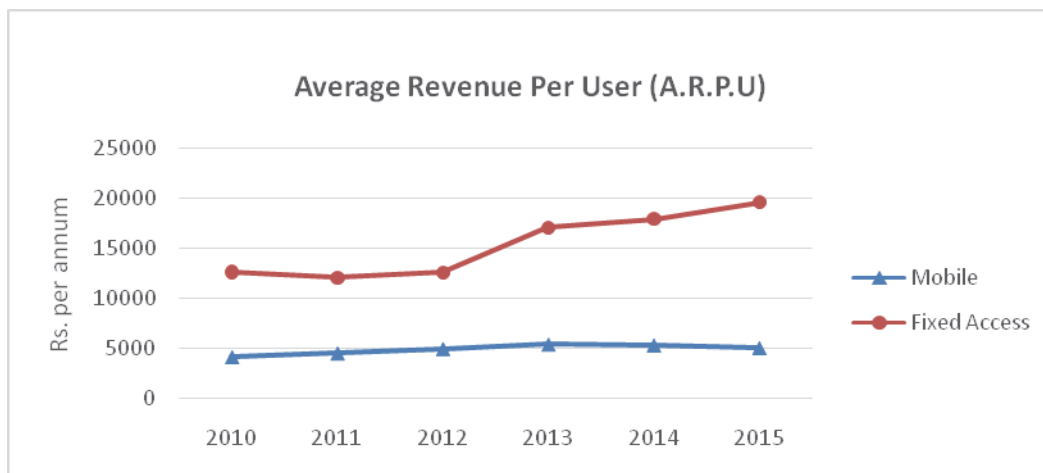
The ARPU (per annum) as at 31 December 2015 for Mobile and Fixed Access segments were Rs. 5,131 and Rs. 19,659 respectively. The Mobile segment demonstrated a 5% decline in ARPU while the Fixed Access segment demonstrated an increase of 9% against the previous year. The change in the definition of the subscriber base in 2013 resulted in the year increase of 36% in ARPU in the year 2013 for the fixed access segment.

Table -04.10

(in Rs. per annum)

Category	2010	2011	2012	2013	2014	2015	% change 2010-2011	% change 2011-2012	% change 2012-2013	% change 2013-2014	% change 2014-2015
Mobile	4179	4560	5004	5,457	5,386	5,131	9%	10%	9%	-1%	-5%
Fixed Access	12,659	12,100	12,583	17,112	17,954	19,659	-4%	4%	36%	5%	9%

Chart -04.03



Net Profit/(Loss) After Tax (2010-2015)

A net profit of Rs. 1,567 million was recorded by the Fixed Access Operators for the year 2015. However, the Mobile operators recorded a net loss of Rs. 729 million for the year 2015.

Table - 04.11

(In Rs. Millions)

Category	2010	2011	2012	2013	2014	2015
Mobile	-3,652	-1,017	-1,970	-143	2,947	-729
Fixed Access	180	1,285	3,304	2,964	1,723	1,567
Total	-3,472	268	1,334	2,821	4,670	838

Chart -04.04

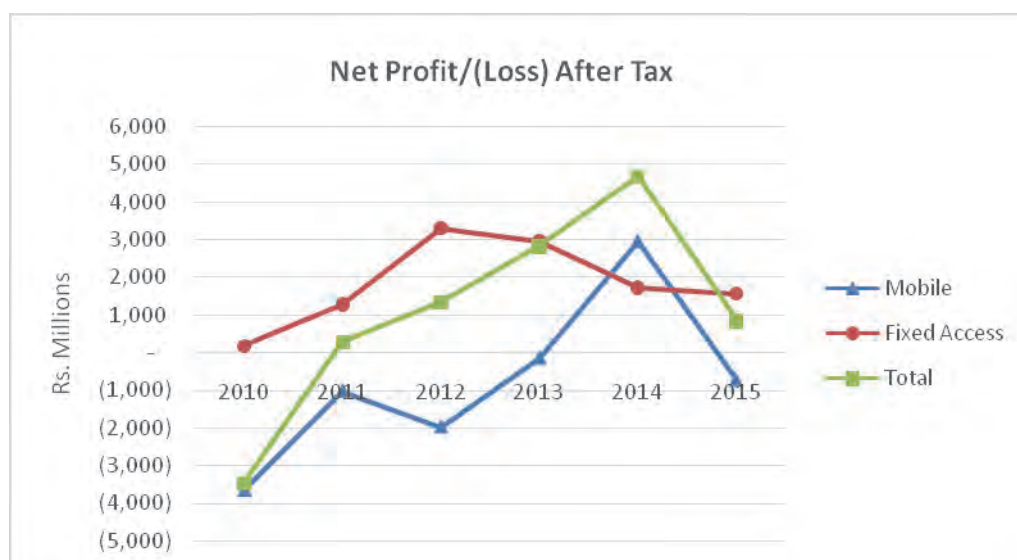


Table -04.12

Telecommunication Levy (2012 - 2015)

Rs.in Million

Year	2012	2013	2014	2015
Total TL	19,746	20,026	26,055	27,859

Table -04.13

Cess Collected (2012-2015)

Year	2012	2013	2014	2015
Total Cess	3,152	3,455	3,652	3,840

Table -04.14

The Outgoing Local Access Charges (OLAC) is an another Levy imposed by the TRCSL.

Year	2012	2013	2014	2015
OLAC(Rs Million)	1,977	1,994	1,894	1,592

Table -04.15

Investments of Mobile and Fixed Access Operators(2010-2015)

Category	2010	2011	2012	2013	2014	2015
Mobile	24,387	41,999	29,508	49,509	23,444	22,703
Fixed Access	9,646	14,055	20,610	19,052	21,640	26,245
Total	34,033	56,054	50,118	68,561	45,085	48,948

The investments made by the Mobile and Fixed Access Operators during the year 2015 was nearly 49 billion. The Mobile Operators have invested nearly 23 billion while the Fixed Access Operators investments were over 26 billion.

Table -04.16

Telecommunication Development Charges (TDC) Collected (2012-2015)

Year	2012	2013	2014	2015
TDC collected (Rs Million)	7,242	7,239	6,756	5,861

Two types of tariff approval were imposed during 2015 which are named as Long Term Basis and Promotional Basis and the total tariff were 208. Needs of foreign experts on the telecommunication industry to update operators' network were considered highly by TRCSL and 397 Visa applications on such experts were considered and processed in 2015.

POLICY, INTERNATIONAL RELATION AND LICENCE ADMINISTRATION DIVISION

The Telecommunication Regulatory Commission of Sri Lanka (TRCSL), as the competence regulatory authority, the division formulates policies for telecommunication sector and assists the commission in number of ways exercising variety of local and international activities. Research into development and use of new techniques in the industry which in an objective of TRCSL, many activities have been planned and organized by this division with the support of universities concerned. With the collaboration of international telecommunication institutes, the TRCSL has undertaken telecommunication sector development projects also.

During the corresponding year 2015, the TRCSL has paid much attention to introduce new technique and innovations of other developed countries. In this respect with the assistance of International Telecommunication Union (ITU), the project of Telephone Survey on ITU/TRC; Assistance Project; Connect a School: Connect a Community Program created and thereby nearly 8560 students of 34 schools were benefited while facilitating and making aware of education authorities to take further improvements on the matter.

There were several meetings, work shops and training programs with the support of foreign organizations and volunteer organizations to facilitate the special needy people and the stake holders of the field.

The Korean International IT Volunteer’s Program conducted several training Programs for special needy people in Seeduwa and Waninna Vocational training centers. The ITU, with the participation of Government Institutions and other organizations held work shop on “E/Agriculture Strategy” in Peradeniya at Gannoruwa during the year concerned.

The survey conducted by TRCSL “on World Telecommunication/ICT Indicators” facilitated and updated relevant areas, and global data for the calculation of ICT development index during the year 2015. And also active participation was done by TCRSL on the day of World Telecommunication and Information Society Day with the theme of “Telecommunication and ICT; Drivers of Innovation,” and thereby made the public aware of this day. TRCSL enabled to send a participant for “The Forum of Young ICT Leaders (YIL) “ held in Korea in this year which was to enhance innovations on this field.

The TRCSL was in close contact with international organizations of the field by paying annual contributions promptly, as shown in the following table , and thereby gained benefits they extended to Sri Lanka.

Table - 04.17

Paying annual contributions for international organizations-2015

Name of the Institution	Subscription (LKR)
International Telecommunication Union (ITU)	22,317,680.62
Asia Pacific Telecommunity (APT)	2,080,912.20
Commonwealth Telecommunications Organization (CTO)	4,228,300.30
South Asia Forum for Infrastructure Regulation (SAFIR)	545,610.71
Total	29,172,503.83

Following New Licenses and renewal of licenses were done during the year which is also a vital activity of this division.

Renewal of Licenses

Hutchison Telecommunications Lanka (Pvt) Ltd. 's External Gateway Operator Licence (EGO) license was renewed.

Following License renewals are being processed.

Dialog Broadband Networks (Pvt) Ltd - Integrated Transmission Network of Digital Microwave Links and Optical fiber cables License
Dialog Broadband Networks (Pvt) Ltd - Fixed Wireless License
Lanka Bell Ltd. - Fixed Wireless License

The TRCSL published a consultation paper on the introduction of Mobile Virtual Network Operators (MVNO) in Sri Lanka to obtain comments and views on the issues raised in the consultation paper from the stake holders. Paper is available in the www.trc.gov.lk web site.

COMPLIANCE DIVISION

One of the main objectives of TRCSL is to ensure the provision of a reliable and efficient national and international telecommunication service in Sri Lanka. For this purpose, regulatory measures need to be taken to ensure that telecommunication service providers are compliant with their regulatory obligations to provide a reliable, efficient and quality telecommunications service. This necessitates continuous surveillance of the industry and enforcement of appropriate regulatory measures. Processing of consumer complaints and finding reasonable solutions to their problems results in customer satisfaction as well as enhancement of the profile as a whole including wide range of awareness programmes on the use of the telecommunication system to best serve the needs and requirements of the community. These responsibilities were handled by four units of Compliance Division of TRCSL, namely QOS, Surveillance, Consumer Complaints and Public Awareness.

Functions and Activities of the above units as follows

Quality of Service (QOS) Unit

Functions

- Monitor the adherence to QOS Standards set out in the License and the Interconnection Agreements by PSTN Operators.
- Monitor the achievement of QOS Parameter Target Values set by TRCSL for PSTN Operator's network performance.

- Preparation of a report on comparison between measured Quality of Service (QOS) Parameter values by PSTN Operators for voice services and the audited values by the TRCSL.
- Circulating the comparison report among PSTN Operators for information and improvement of the accuracy of performance measurements
- Evaluate the accuracy of QOS performance measurements made by PSTN Operators by conducting periodical audits

Activities / Tasks Carried out in 2015 Analyzing submissions of monthly QOS reports received from PSTN Operators and discuss with them for improvements of the QOS parameters where necessary Preparation of comparison report for 3Q2015 and circulated among PSTN Operators for information and improvement of the accuracy of performance measurements PSTN Operators obtain performance measurement data from the Network Counters and compute according to the equation given by TRCSL, and report back in the form of a QOS Parameter. TRCSL visited the operator's network and reevaluate the computational methodology and the raw data obtained from Network Counters for the calculation of QOS Parameters.

Surveillance Unit

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 PSTN Operators
- Monitor, analyses and adopt regulatory measures to control the offer of unapproved tariff packages by licensed PSTN Operators
- Investigate complaints into illegal call termination to the networks of licensed operators and take appropriate regulatory action as deemed necessary
- Conduct investigations into the sale of non-type approved telecommunication apparatus by license holding vendors and take appropriate measures if the findings reveal infringement of the terms and conditions of the license

- Monitor and investigate into the illegal sale of telecommunication equipment by vendors lacking a valid vendor license issued by TRCSL and upon any finding of illegal conduct take appropriate regulatory measures as deemed necessary

Activities/Tasks Carried out in 2015

Investigations into 118 complaints on illegal call termination by licensed operators have been completed

Investigations into 08 instances of sale of non-type approved telecommunications by vendors have been completed

Investigations into 14 instances of offer of unapproved tariff packages by operators have been completed

Consumer Complaints & Public Awareness Unit

Consumer Complaints

In terms of section 09 of the Sri Lanka Telecommunications Regulatory Commission Act, No. 25 of 1991 as (amended in No. 27 of 1996) Where a subscriber to a telecommunication service or member of public makes a complaint to the commission in relation to the telecommunication service provided by an operator the commission may make such 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 course or matter which gave rise to the complaint and direct financial redress to provided where appropriate.

Complains received are forwarded to relevant service provider for necessary action. Consumer relation unite follow up the same with the service provider and take necessary actions to offer reasonable justifiable solution to the complaint.

If the complainant is not satisfied with the solution offered by the service provider, a meeting is arranged among both parties to discuss the issue with the involvement of the Deputy Director Consumer Relations.

In addition to the above service the unit engage as part of social obligations in the process of finding loss mobile phones. The Compliance division receive average 250 complaints daily and up to now approximately 115000 applications were accepted by the TRCSL on lost

mobile phones and we have been able to assist police to recover them during the last few years.

Public Awareness

When analyzing consumer complaints TRCSL Understand a wide range of awareness Programs will provide effective service to the society. TRCSL strongly believes that the general public should be educated as to how the telecommunication is used ethically.

There for TRCSL as arrange a work shop to police officers who directly handle crimes especially on telecommunication. In addition 12 number of work shop were conducted during the year 2015 to senior officers of telecommunications service providers as well as senior officers of the TRCSL.

Further TRCSL has conducted 06 awareness Programs among leading schools in Colombo and one Programs to educational directors of the western province.

TRCSL has published articles in newspapers approximately 100 numbers and few radio/television programs during the year 2015.

PROJECT AND RESEARCH DIVISION

The Project and Research Division formulated in 2013, in order to facilitate and orient the development of a sustainable and effective telecommunication service in this country. The massive construction of Colombo Lotus Tower Project and Lotus Mall Project, which is a massive unique project for the first time in the Sri Lanka, has been planned to be completed by October in 2017. While extending assistance to all other projects activities of TRCSL, the commission managed to achieve an adorable progress in all aspects of Colombo Lotus Tower Project during the period concerned.



LEGAL DIVISION

The Legal division which is to render a vital services to The Telecommunication Regulatory Commission of Sri Lanka (TRCSL) on all legal and regulatory issues with compliance to both rules of natural justice and principal of laws by keeping close link with dynamically changing new technologies , innovations and trends of the industry.

In this respect in the year 2015 following performance made by this division.

In the year 2015 the Legal Division provided legal support to the Commission and the several Divisions/Units of the TRCSL on regulatory matters such as frequency Licensing, vendors licensing, tariffs, compliance issues, consumer & awareness matters and in 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 the TRCSL has obtained the services of Attorney General's Department and other Private Counsels to appear on behalf of the Commission.

Litigation

Cases in the Supreme Court/ Court of Appeal

Few cases are pending before the Supreme Court and the Court of Appeal. The cases filed against the Commission relating to many regulatory issues such as frequency (broadcasting), revocations, licensing and noncompliance with regulations, guidelines etc.

Courts/ Tribunal and Statutory Regulatory Actions

There were many other cases filed in year 2015 and others that continued from Previous years ranging from money recovery matters in the District Court, Commercial High Court and human resource. Labour related matters filed in the Labour Tribunal, Industrial Courts and Human Rights Commission.

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.

Other matters

The processing of Court Orders relating to requests for information on mobile/fixed phones and connections has also seen an increase this year.

ADMINISTRATION DIVISION

To ensure smooth and efficient functions of The Telecommunication Regulatory Commission of Sri Lanka (TRCSL), the division of Administration and Corporate Affairs Performs a cardinal important role within the institution. It handles planning, organizing, directing, monitoring and control, coordination with outside institution, establishment and disciplinary matters, evaluation, training, recommendation/approval of payments, procurement of goods and services , arrange transport facilities, looking into welfare of the staff, creating a physical environment conducive for the improvement of work, provisions of information technology facilities and library facilities, preparation of corporate plan and annual reports, preparation of rules and regulations and coverage of media for important events of the institute etc.

Performance of the corresponding year as follows.

1. As per approved carder of TRCSL, there were one hundred & ninety three (193) permanent employees, twenty two (22) contract employees and eighty eight (88) vacant posts with the consisting twelve (12) categories in the 2015 year. The approved carder for the TRCSL was 300.
2. As per approved carder, call for applications for the seventy (70) posts, by publishing the notifications on called for applications by external candidates and called for applications by internal candidates for the 07 posts.
3. We finalized the TRCSL Corporate Plan 2014-2016 and Action plan 2014 with the assistance of team of Chamber of Small & Medium enterprises of University of Sri Jayewardenepura .
4. The Administration Division carried out the establishment work of the employees such as maintenance of employee personal files, recruitments, confirmations, promotions, performance appraisal of employees, disciplinary inquires, preparation of corporate plan and related annual report plans, procurement management, preparation of rules regulators and procedures, Prepare human resource development budgets and plan, engage in activities related to exhibitions etc.
5. TRCSL has given foreign and local training opportunities in 2015 to enhance carrier development of TRCSL employees. The list of foreign and local training programs is given below.

Table -04.18

Foreign Training - 2015

Program	Country	From	To	Funded
SATRC-16 MEETING/Stakeholders on Cross Borders	New Delhi	18-Aug-15	28-Aug-15	APT/TRC
Future of Mobile 4G and Beyond and ITU 2015 session of the Council	Turkey , Geneva	05-May-15	13-May-15	TRC
Ministerial Programmee, GSMA Mobile Congress	Barcelona	01-Mar-15	07-Mar-15	TRC
15TH apt Policy and Regulatory Forum	Singapore	02-Aug-15	06-Aug-15	APT
ITU-D Study Group Meeting	Geneva	13-Sep-15	20-Sep-15	TRC
IPV6 Infrastructure Security	Bangkok	22-Jun-15	26-Jun-15	TRC
ITU-T study Group	Geneva	03-Dec-15	11-Dec-15	TRC
ITU-R Working party 6A Study Group 6 Meeting on Broadcasting Service	Geneva	13-Jul-15	23-Jul-15	TRC
Training Course on Big Data in Telecom and Cloud Services	Thailand	14-Nov-15	14-Nov-15	APT
Radio Spectrum Management and Monitoring for Wireless Broadband	Japan	09-Nov-15	19-Nov-15	APT
Digital Strategies for Development Summit	Philippines	21-Sep-15	25-Sep-15	APT
Practical Technologies and their Implementation of small scall Tele for Rural Area	Japan	01-Dec-15	12-Dec-15	APT
Spectrum Management Course	Korea	11-Apr-15	19-Apr-15	APT
Digital Divide Resolution at Rural Areas by Utilizing Television White space,	Japan	08-Nov-15	20-Nov-15	APT
SATRC Working Group on Policy Regulation and Services	Nepal	24-Feb-15	27-Feb-15	APT
Developing National E-Agriculture Strategy	Thailand	02-Mar-15	06-Mar-15	ITU
Developing National e-agriculture Strategy	Thailand	03-Mar-15	03-May-15	ITU
Asia Pacific Regional Forum for Telecommunication/ICT on Digital Finance	Malaysia	26-Aug-15	29-Aug-15	ITU
6 th apt Cyber Security Forum	Thailand	19-Oct-15	23-Oct-15	APT
ITU Asia Pacific Regional Forum on Accelerating Broadband Access	Indonesia	07-Sep-15	11-Sep-15	ITU
Meeting of the Expert Group on ICT Household Indicators and Telecommunication	Geneva	20-Sep-15	28-Sep-15	TRC
Factory Visit - Colombo Visit Tower Project	China	13-Nov-15	19-Nov-15	CEIEC
International Cyber Security Conference	India	19-Aug-15	22-Aug-15	ITU

OUT-R Study Group6(SG6) Meeting on Broadcasting Service	Geneva	12-Jul-15	26-Jul-15	TRC
ITU-T SG15 Networks, Technologies and Infrastructures for Transport	Geneva	22-Jun-15	05-Jul-15	TRC
ITU-T Telecom World 2015	Hungary	11-Oct-15	16-Oct-15	ITU
International Seminar on Spectrum Regulation	Istanbul	13-Sep-15	19-Sep-15	ITU
Training Course on Big Data Analytics and Applications in Information Communications Technology industry	China	18-Oct-15	31-Oct-15	APT
APT/ITU Conformance and Interoperability Event 2015	Thailand	06-Sep-15	13-Sep-15	APT/ ITU
ITU Regional Standardization Forum for Asia Pacific Region	Indonesia	26-Oct-15	29-Oct-15	ITU
2nd Meeting of the APT Preparatory Group for WTS - 16	Thailand	14-Oct-15	18-Oct-15	APT
NBTC/ITU REGIONAL Seminar on Delivery	Thailand	05-Aug-15	10-Aug-15	ITU
Second Session of the 2015, Conference Preparatory Meeting	Geneva	22-Mar-15	04-Apr-15	TRC
ITU/NBTC ADB Asia-Pacific Regional Forum	Thailand	25-Mar-15	27-Mar-15	ITU
6TH apt Workshop on Disaster Mgt Communication	Fiji	07-Jul-15	09-Jul-15	APT
Spectrum Management Methodologies and Study Group 1 Meeting	Geneva	02-Jun-15	14-Jun-15	TRC
Training Course on Strengthening Disaster Preparedness	Japan	07-Dec-15	19-Dec-15	APT
Broadband Policy for Universal Access	India	06-Sep-15	12-Sep-15	APT
Broadband Policy in the context on line	Thailand	13-Dec-15	20-Dec-15	APT
SATRC Workshop on policy, Regulation	Nepal	19-Dec-15	26-Dec-15	APT
Training Course on Smart City	China	03-Sep-15	13-Sep-15	APT
e-Government, Smart Cities and Digital Societies	Thailand	18-Aug-15	23-Aug-15	ITU
Training Course on strengthening Disaster Preparedness in Asia-Pacific Region Utilizing ICT	Japan	26-Jan-15	06-Feb-15	APT
Training Course on Cyber Security	Japan	26-Oct-15	30-Oct-15	APT
55th Council Meeting and the Annual Forum	Kenya	13-Sep-15	19-Sep-15	TRC
Policied Technologies for the Broadband Communication	Japan	04-Nov-15	12-Nov-15	APT
Ceyber Security for Broad Band	Japan	03-Nov-15	14-Nov-15	APT
APT Round Table, ICT and Financial Regulators	Malaysia	23-Aug-15	27-Aug-15	TRC
Future of Mobile 4G and Beyond and ITU 2015 session of the Council	Turkey , Geneva	05-May-15	13-May-15	TRC
Young ICT Leaders Forum 2015	South Korea	06-Dec-15	13-Dec-15	ITU
Training Course on information Security and Computer Communication	China	03-May-15	13-May-15	APT
Talinn Manual 2.0 and Global Conference and Meeting on Cyberspace 2015	Netherland	15-Mar-15	17-Mar-15	TRC
Conference on "Satellite for SAARC Region and space Technology Application	India	21-Jun-15	23-Jun-15	APT

Table -04.19

Local Training - 2015

1.	Final Level of the Course of Chartered Tax Adviser
	Institute of Chartered Accountants
	Sri Lanka
2.	Post Graduate Diploma in Information technology.
	18 Months ,
	Indian Institute of Management and Technology
3.	ISO Standards Workshop
	1 Day
	National Library and Documentation Services
4.	How to Write Effective Policies and Procedures
	Cinnamon Grand Hotel , Colombo

6. Re - organizing of Specified Administrative and Human Resource Activities as the TRCSL.As per approved schemes of recruitment (SOR) in TRCSL, approval was granted to absorb the current staff to the corresponding posts with effect from 01st May 2014 and all officers are being placed in the relevant salary steps of the salary scales applicable for the new posts.

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

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

Assist and make recommendations to various committees appointed by Director General / Commission from time to time

To improve operations and add value to The Telecommunication Regulatory Commission of Sri Lanka (TRCSL) the Internal Audit Division independently engages in its functions ensuring the efficiency of operations and reliability of financial reports, avoiding and investigating frauds.

During the year 2015, Four Audit Committee meetings were held and eight internal audit reports were discussed .

Subject Areas Covered by the Internal Audit Report -2015

Report No:	Date of the Report	Subject Area
CIA/15/01	28/01/2015	Management Information (Financial Performances During the period commencing from 1 st January to 31 st December 2014)
CIA/15/02	19/02/2015	Calculation of E.P.F. Contribution and Cost of living Allowances
CIA/15/03	13/03/2015	Disbursement of 2/3 rd of Telecommunication Development Charges
CIA/15/04	02/04/2015	Duty hours and Leave records
CIA/15/05	21/04/2015	Reports submitted by Auditor General
CIA/15/06	23/06/2015	Checking of Payment Vouchers
CIA/11/07	19/08/2015	Update of Loan Register and Guarantor's Register
CIA/11/08	26/11/2015	Mobile Telephone Operators Levy

FINANCE DIVISION

Overview

The paramount function of the Finance Division is the Financial Management which involves all monetary functions of the Commission. Collection of Revenue and the optimum usage of such funds by way of proper investing are key highlighters. Not only that the controlling and spending are non to second, especially within the statutory requirements such as relevant rules and regulations of Financial Regulations, relevant 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 decision on same. All government institutions are bound by law to submit the financial statements to the Auditor General to determine the accuracy & completeness of the transactions and to ensure that all financial policies are in conformity with the Generally Accepted Accounting Principles and Accounting Standards published by The Institute of Chartered Accountants of Sri Lanka and 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 Finance Division is not

only recording of historical data in the Financial Statements but also Financial Administration, cost control, project evaluation, development planning , and participating in strategic decision making effectively and efficiently too , are important functions of the Division.

Functions

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

Performance

Revenue

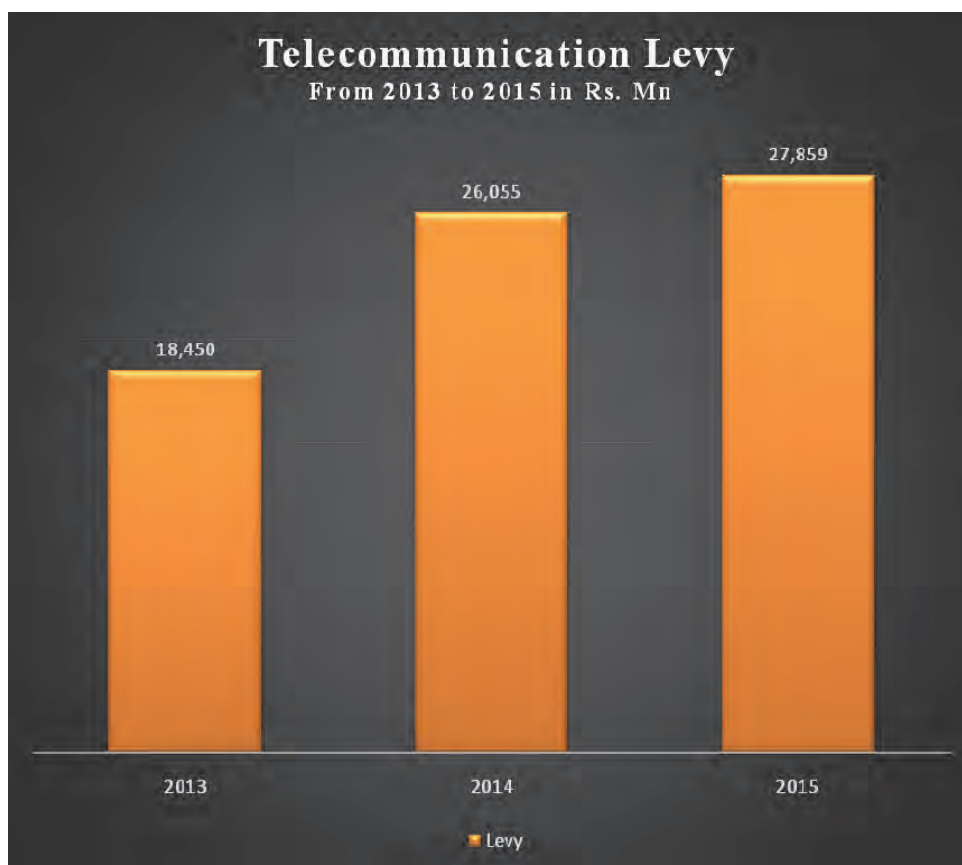
The Statutory power to earn and collect the revenue of the Commission is vested by the Telecommunication Act No. 27 of 1996. Accordingly, the Commission earns/collects Revenue by way of “Radio License Fees, Cess Fees, System Operator License Fees, Vendor License Fees and other related fees from Public Switched Telephone Network (PSTN) operator and Radio Frequency users. Furthermore the Commission’s Revenue has been increasing year by year which is highlighted below.

Revenue of the Commission from 2013 - 2015

Source of Income	2015 (Rs. '000)	2014 (Rs. '000)	2013 (Rs. '000)
System Operator License Fees	107,708	261,816	2,060,743
Cess Fees	3,840,742	3,651,983	3,500,556
Radio Frequency License Fees	6,756,145	8,672,210	8,226,963
Frequency Upfront Fees	0	0	5,661,039
Vendors License Fees	13,087	12,337	12,464
Amateur Radio License Fees	56	95	91
Ship Station License Fees	764	797	696
Aircraft License Fees	941	1,048	170
Cordless Phone Dealer Charges	66,757	51,506	24,911
Examination Fees	394	374	4
Application Processing Fees	6,531	1,020	1,632
Short Code Charges	14,796	8,418	8,163
Sundry Income (Interest income from Fixed Deposits, Staff loans etc.)	1,117,143	1,711,196	1,991,029
Total	11,925,066	14,372,802	21,448,458

Telecommunication Levy

The present rate of Telecommunication levy was 25% on 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 presently levied of the rate of 10%.

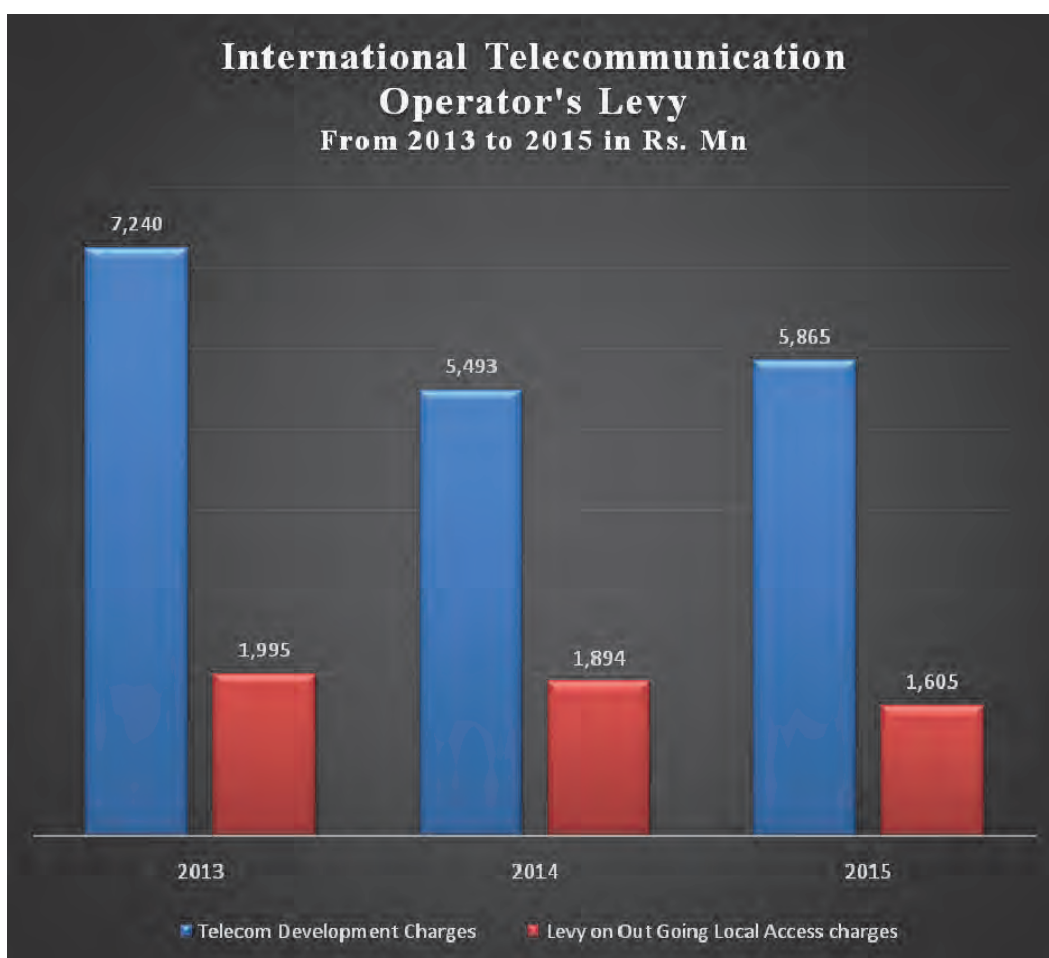


Further, a 2% CESS fee was introduced by the Government on the annual Gross Turnover of the Operators in place of System Operator License Fee and Cess fee.

International Telecommunication Operators' Levy

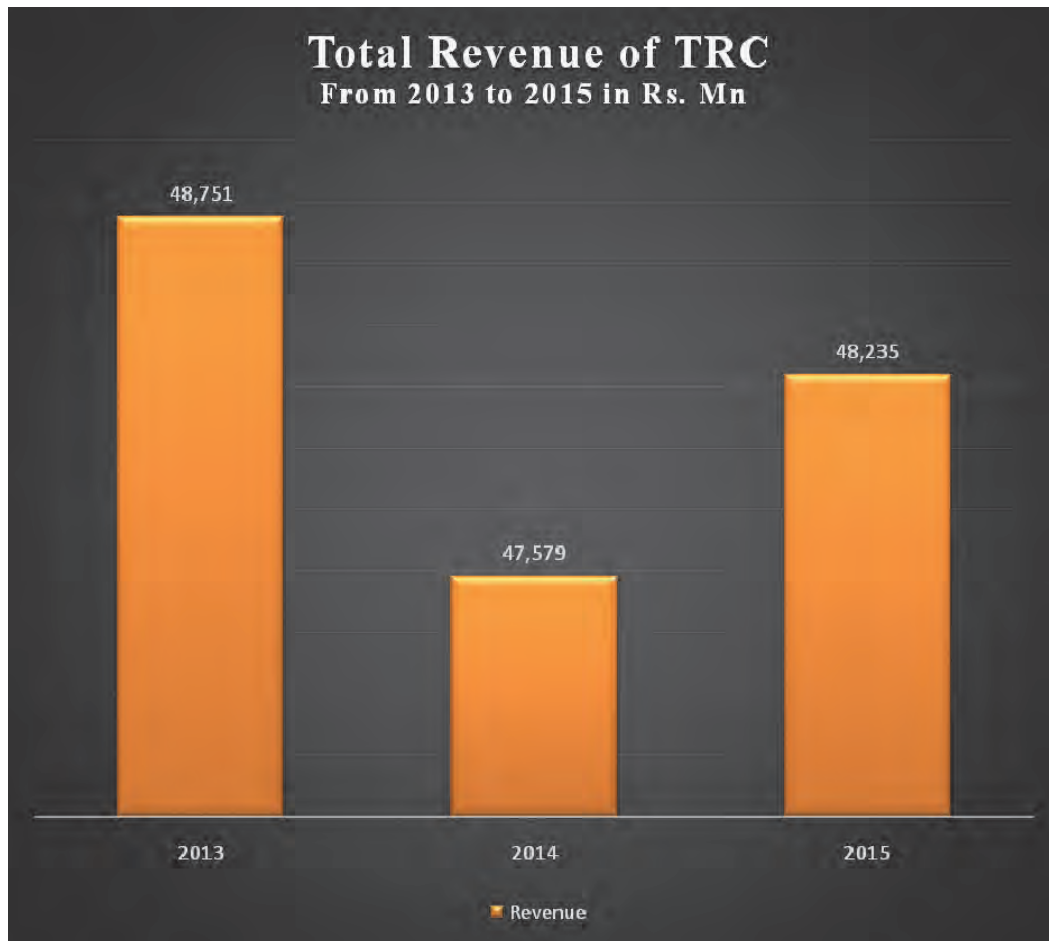
In addition to the above income, in terms of Finance Act No. 11 of 2004 as amended by the Finance Act No. 13 of 2009, the commission collected the International Telecommunication Operator's Levy of US \$ 0.30 per minute as a TDC (Telecommunication Development Charge) and a levy of Rs. 2.00 per minute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

The following chart depicts last three years Revenue increasing pattern on same.



Revenue Collected under the Telecommunications Amendment Act No. 27 of 1996

The total Revenue of the TRC is also could be observed from the chart given below.



Remittance to the Consolidated Fund

In 2015, Rs.43.6 billion was transferred to the Government Treasury by TRC which is a 7% increment compared to the year 2014 by strengthening the Government Revenue.

Property, Plant & Equipment

Rs.57.3 million and Rs.104.4 million were spent to purchase Equipment and Surveillance Vehicle for Frequency Management Monitoring System respectively and Rs.21.7 million was spent to purchase Motor Vehicle, out of Rs.207.06 million additions to the Property, Plant & Equipment during the year 2015.

Investment

The Commission invested a sum of Rs.9.15 billion in Government Securities under Re-Purchases agreement in year 2015 and Rs.12.75 billion in Peoples' Bank as Fixed Deposit. In addition, the Commission maintained Money Market Daily Transaction account with People's Bank and earned Rs.127 million interest income through such money market transactions during the year 2015.

Staff

During the year under review, the Finance Division carried out the entrusted function with a staff of 18 members comprising 01 Director, 02 Deputy Directors, 01 Assistant Accountant, 03 Development Officers, 09 Management Assistants and 02 Primary Level

AUDIT COMMITTEE REPORTS

Performance

During the year 2015, four Audit Committee meetings were held and following reports/matters were discussed at these meetings.

The subject's areas cover is given below.

1. Audit Committee meeting held on 27th April 2015

1.1 The internal audit reports were discussed and decisions/actions were taken as follows:

Report No	Date of the report	Subject Area	Action/Decision taken
CIA/14/10	02/11/2014	Granting Financial Assistance for higher Studies (financial assistance for local courses)	Instruct to follow the guidelines issued by ACT/Commission New guidelines should submit in future.
CIA/14/11	10/11/2014	Payment of Telecommunications Levy - 2014	To give specific answers for all the observations by relevant officer and submit to the next audit committee.

Report No	Date of the report	Subject Area	Action / Decision taken
CIA/14/12	18/11/2014	Reimbursement of Recurrent expenditure	To check whether agreements with the operators are available.
CIA/15/01	28/01/2015	Management information -2014	Various kinds of information noted by the committee.
CIA/15/02	19/02/2015	Calculation & EPF contribution on Cost of Living Allowances	To implement the commission decision immediately for the staff in the service.
CIA/15/03	13/03/2015	Disbursement of 2/3 rd of Telecommunications Development Charges (TDC)	To be recovered the dues correctly.
CIA/15/05	21/04/2015	Report received from Auditor General There were discussed eight (8) audit reports and replies	Quires and replies to be referred to the commission for necessary action.

1.2. Any other matters discussed Audit Committee meeting held on 27th April 2015 as follows:

- Implement of Circulars issued by the Public Enterprises Department
- Preparation of Action Plan year 2015
- Preparation of Annual Report year 2013 & 2014 and to be sent to the parliament in due date.
- Preparation of Corporate Plan year 2016

2. *Audit Committee meeting held on 22nd June 2015.*

2.1. The internal audit reports were discussed and decisions/actions were taken as follows:

Report No	Date of the report	Subject Area	Action/ Decision taken
CIA/14/12	18/11/2014	Reimbursement of recurrent expenditure of Kokawil Tower	A report to be submitted to the commission including of all details mentioned and current status.
CIA/15/02	19/02/2015	Calculation & EPF contribution on Cost of Living Allowances	To recover their contribution from the employees in due course.
CIA/15/05	21/04/2015	Report received from Auditor General's Department	Matters to be submitted to the commission.
2015/1010	27/04/2015	Circulars issued by the Department of Public Enterprises (year 2015)	Submit these circulars to the commission with the recommendations.

2.2. Any other matters discussed Audit Committee meeting held on 22nd June 2015 as follows:

- Preparation of Corporate plan and Action plan for the year 2015 and 2016 and to be submitted to the commission.
- Annual Report year 2014
- Preparation of Terms of Reference (TOR)
- The progress of decisions taken on previous audit committee meeting.
- The minutes and replies of last COPE meeting held on 12th October 2012 and current status.

3. Audit Committee meeting held on 22nd September 2015.

3.1. The internal audit reports were discussed and decisions/actions were taken as follows:

Report No	Date of the report	Subject Area	Action/ Decision taken
2015/3001	22/09/2015	Release of foreign exchange on official travel and related expenses	To submit a commission paper to the commission
2015/3002	22/09/2015	Draft financial statements for the period ended 30 th June 2015	To study the budget 2015 and to submit supplement budget where necessary.
2015/3003	22/09/2015	Summary of statutory payments during the period May to July 2015	The committee noted the remittances made during the period.
CIA/15/04	02/04/2015	Duty hours & Leave recording	Submit report to the commission regarding nature of services rendered by consultants.
CIA/15/06	23/06/2015	Checking of payment vouchers - March & April 2015	To take necessary action as mentioned in the circular issued by DG regarding this issue.
CIA/15/07	19/08/2015	Loan and guarantors register	Correct and update loan register.

3.2. Any other matters discussed Audit Committee meeting held on 22nd September 2015 as follows:

- The progress of actions/decisions taken for previous audit committee meetings.
- Variances of budget allocations year 2015
- Budget allocations for the year 2016.

4. Audit Committee meeting held on 11th December 2015.

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

Subject Area	Action/ Decision taken
Report of Mobile Telephone Operator Levy.	To be collected levy on due dates.
Audit program year 2016	To Be submitted to the Commission.
Check list for - Annual budget - Action plan	To report progress to the next Audit Committee.
Quarterly Financial Statements for the period ended 30.09.2015	To implement actions taken accordingly by audit committee.
The report issued by the auditor general under section 14 (2) (c) of the Finance Act, no 38 of 1971 for the Financial Statements year ended 31.12.2014	To Be submitted to the Commission.
Report for Recurrent Expenditure of Kokawill Tower	To Be submitted to the Commission.
Statutory Payments made during the period August to October 2015	Noted by Audit Committee.

FINANCIAL STATEMENT

FOR THE YEAR ENDED DECEMBER, 2015

TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2015

(Expressed in Sri Lanka Rupees)

	<u>NOTES</u>	<u>31.12.2015-</u>	<u>31.12.2014</u>
			<u>(RESTATED)</u>
ASSETS	-	-	-
NON-CURRENT ASSETS	-	-	-
Property, Plant & Equipment	4	12,404,632,998	12,285,139,243
Work In Progress	5	9,610,206,384	7,813,876,621
Investment	6	22,460,553,336	15,154,110,654
Mobilization Advance Payment	7	1,439,674,994	1,466,183,253
TOTAL NON-CURRENT ASSETS		<u>45,915,067,713</u>	<u>36,719,309,771</u>
CURRENT ASSETS			
Accounts Receivable	8	5,820,953,940	3,555,165,603
Prepayment and Advance	9	5,324,290	2,373,973
Loans and Other Receivables	10	279,018,537	548,729,026
Cash & Cash Equivalents	11	916,668,961	5,680,456,567
TOTAL CURRENT ASSETS		<u>7,021,965,728</u>	<u>9,786,725,171</u>
TOTAL ASSETS		<u>52,937,033,441</u>	<u>46,506,034,942</u>
EQUITY AND LIABILITIES			
EQUITY			
Government Contributions	12	526,214,744	526,214,744
Accumulated Surplus		28,679,265,809	25,579,563,170
Revaluation Surplus		37,380,000	37,380,000
TOTAL EQUITY		<u>29,242,860,553</u>	<u>26,143,157,914</u>
NON-CURRENT LIABILITIES			
Project Loan - Exim Bank (Lotus Tower)		5,595,248,248	4,623,842,062
Retention	13	806,818,929	615,222,237
Retirement Benefit Obligation	14	4,242,627	14,851,637
Urban Development Authority		9,450,000,000	9,600,000,000
TOTAL NON-CURRENT LIABILITIES		<u>15,856,309,804</u>	<u>14,853,915,936</u>

TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA

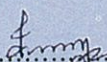
STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2015

(Expressed in Sri Lanka Rupees)

(Contd...)

	NOTES	31.12.2015	31.12.2014
CURRENT LIABILITIES			
Accounts Payable	15	222,870,612	575,154,075
Advances, Deposits and Other Payables	16	4,886,111,003	2,498,946,784
Payable To Treasury	17	2,728,881,467	2,434,860,234
		7,837,863,083	5,508,961,092
TOTAL CURRENT LIABILITIES		23,694,172,888	20,362,877,028
TOTAL LIABILITIES		52,937,033,441	46,506,034,942
TOTAL EQUITY AND LIABILITIES		52,937,033,441	46,506,034,942

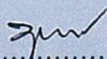
The accounting policies and notes to the financial statements from page 06 to 25 form an integral part of the financial statements. I certify that the financial statements of the Commission give a true and fair view of the state of affairs as at 31st December 2015 and its surplus for the period then ended.

.....


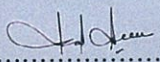
M. K. Jayantha
 Director - Finance

The Commission is responsible for the preparation and presentation of these financial statements.

Approved and signed for and on behalf of the Commission.

.....


P.B. Abeykoon
 Chairman

.....


Sunil S Sirisena
 Director General

TELECOMMUNICATIONS REGULATORY COMMISSION
OF SRI LANKA

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME FOR THE YEAR ENDED DECEMBER 31, 2015**

(Expressed in Sri Lanka Rupees)

	<u>NOTES</u>	<u>31.12.2015</u>	<u>31.12.2014</u>
Revenue			-
Income	18	48,235,131,152	47,579,814,983
Total Operating Income		<u>48,235,131,152</u>	<u>47,579,814,985</u>
Less: Regulatory Expenses	19	<u>(97,843,863)</u>	<u>(1,014,894,840)</u>
Net Total Operating Income		48,137,287,289	46,564,920,145
<u>Less : Other Expenses</u>			
Administration & Establishment Expenses	20	529,869,832	502,968,933
Finance & Others	21	2,886,118	1,882,198
Provision For Bad Debtors		17,705,645	(10,326,247)
Under / (Over) Provision		0	(195,028,261)
(Gain) / Loss on Foreign Currency Transactions		<u>(6,550,542)</u>	<u>(726,181)</u>
Total Expenditure		<u>543,911,053</u>	<u>298,770,441</u>
Profit for the Year from Continuing Operations Before Income Tax		47,593,376,236	46,266,149,704
<u>Less: Income Tax</u>		(378,032,104)	(403,729,456)
Super Gain Tax		<u>(464,030,556)</u>	<u>0</u>
Profit for the Year from Continuing Operations After Income Tax		<u>46,751,313,576</u>	<u>45,862,420,248</u>

Other Comprehensive Income

Gain/(Loss) on Retirement Benefit Obligation	508,549	(10,862,073)
Total Other Comprehensive Income for the Year	508,549	(10,862,073)
Total Comprehensive Income for the Year After Tax	46,751,822,125	45,851,558,175
<i>Less: Contribution to the Consolidated Fund</i>	22 (43,652,119,486)	(41,328,064,251)
Total Comprehensive Income for the Year After Contributing the Consolidated Fund	3,099,702,639	4,523,493,924
<u>Add:</u>		
Total Comprehensive Income Brought Forward	25,579,563,170	21,056,069,246
Total Comprehensive Income Carried Forward	28,679,265,809	25,579,563,170

TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2015
(Expressed in Sri Lanka Rupees)

	<u>Note</u>	<u>31.12.2015</u>	<u>31.12.2014</u>
<u>Cash flows from operating activities</u>			
Cash generated from operations	23	46,839,311,572	45,596,758,771
Tax paid		(320,368,348)	(405,754,037)
Super gain tax paid		(464,030,556)	0
Retirement benefit obligation paid		(870,483)	(345,075)
Net cash generated from operating activities		<u>46,054,042,185</u>	<u>45,190,659,659</u>
<u>Cash flow from investing activities</u>			
Purchases of property plant & equipment		(206,224,879)	(41,576,620)
Projects under which are in work in progress		(1,796,329,533)	(2,970,794,340)
Investment in Fixed Deposit & Government securities under re-purchase agreement		(7,321,307,682)	(5,733,780,399)
Maturity of Fixed Deposits		0	10,400,300,000
Interest Income from government securities under re-purchase agreement		967,997,435	41,692,802
Proceed from sale of property , plant & equipments		16,673,344	32,329,494
Net cash used in investing activities		<u>(8,339,191,315)</u>	<u>1,728,170,937</u>
<u>Cash flows from financing activities</u>			
Mobilization Advance payment		26,508,259	131,760,719
Interest Income from Money Market Transactions		127,419,331	218,023,382
Remittance to the Consolidated Fund		(43,652,119,486)	(42,711,233,067)
Project Loan - Exim Bank (Lotus Tower)		971,406,186	1,914,499,263
Retention		191,596,692	265,379,130
Urban development Authority		(150,000,000)	(300,000,000)
Net cash used in financing activities		<u>(42,485,189,019)</u>	<u>(40,481,570,573)</u>
Net (decrease) / increase in cash and cash equivalents		<u>(4,770,338,148)</u>	<u>6,437,260,023</u>
<u>Movement in cash and cash equivalents</u>			
As at 01st January 2015		5,680,456,567	(756,077,275)
(Decrease) /increase		(4,770,338,148)	6,437,260,023
Exchange (losses) / gains on cash and cash equivalent		6,550,542	(726,181)
As at 31st December 2015		<u>916,668,961</u>	<u>5,680,456,567</u>

TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2015
Expressed in Thousands of Sri Lanka Rupees)

	Government Revaluation Contribu- tions	Revaluation Surplus	Accumulated Surplus / (Deficits)	Total Equity
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
Balance at 01st January 2015	526,214,744	37,380,000	25,579,563,170	26,143,157,914
Total Comprehensive Income for the Year Ended 31st December 2015	-	-	3,099,702,639	3,099,702,639
Balance at 31st December 2015	526,214,744	37,380,000	28,679,265,809	29,242,860,553

**TELECOMMUNICATIONS REGULATORY COMMISSION OF
SRI LANKA**

NOTES TO THE FINANCIAL STATEMENTS – 31.12.2015

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

1. GENERAL INFORMATION

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

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

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

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

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

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

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.

3.2 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, 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:

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 Equipment's	Over 04 Years
Video Unit Equipment's	Over 04 Years

Depreciation of an asset begins when it is available for use and ceases at the date that the asset is derecognized.

(a) Capital Work-In-Progress

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

(b) Derecognition

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

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.

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) Retirement Benefit Obligation

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

	2015 (Rs.)	2014 (Rs.)
As at 01 st January 2005	36,686,637	21,832,077
Current Service Cost	3,194,029	2,828,898
Interest Cost	2,440,993	1,508,664
Charged to profit and loss of the statement of comprehensive income	5,635,022	4,337,562
Actuarial losses / (gains)	(508,549)	10,862,073
Benefits paid	870,482	345,075
As at 31 st December 2015	40,942,627	36,686,637

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

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

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

The principal actuarial assumptions used were as follows.

Discount Rate	-	7% per annum
Rate of salary increase	-	1% - 6.7%
Retirement Age		60 years

(b) Defined Contribution Plans

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

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

(c) Employee Provident Fund

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

Employee Trust Fund

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

3.4 REVENUE RECOGNITION

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 Gross Turnover.

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.

3.4.6 Income Taxes

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

Income Tax Classification

Year	Amount (Rs.)
2012	1,966,933
2013	90,323,024
2015	285,742,147
Total	378,032,104

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 thereto, 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.

3.6.1 PROJECTS

3.6.1 COLOMBO LOTUS TOWER

The Telecommunications Regulatory Commission of Sri Lanka (TRCSL) has started construction of 350 meters high multifunctional TV & Telecommunication Tower known as the “Colombo Lotus Tower, following the Cabinet decisions of 27th October 2010 and 14th December 2011 under reference numbers 10/2473/401/301 and 11/2262/501/026 respectively. The construction of the tower also was awarded to the China National Electronics Importers & Exporters Corporation (CEIEC) and Aerospace Long march International Trade Co. Ltd (ALIT) by the Cabinet. Having granted the Extension of Timing (EOT) to the contractor, the project is expected to be completed by 31st October 2017.

And a mega leisure park as the 2nd phase is to be planned/commenced once the Colombo Lotus Tower project is completed.

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

The percentage completed of the project was 50.2% which includes the total work done including material at site was US\$ 50.820 Million. Retention withheld and recovery of mobilization advance were US \$5.082 Million & US \$ 7.444 Million respectively as at 31-12-2015.

3.6.2 LAND – LOTUS TOWER

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

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

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

3.6.3 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 as the contractor for a construction cost of Rs. 2,493,870,318.

The percentage completed of the project was 33% which includes the total work done including material at site was Rs.350 Million. Retention withheld and recovery of mobilization advance were Rs.33.9 Million & Rs.67.9 Million respectively as at 31-12-2015.

3.7 CONTINGENCIES

(a) DC case No. 6188/2010

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

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

(b) HC Civil No. 137/2011

The case bearing No. HC (Civil) No. 137/11 was filed by Electrotecks Limited against TRC for Judgement /decree for a sum of Rupees 47 Billion Three Hundred and Forty Five Million with legal interest up to the date of decree and aggregate amount of the decree till payment in full.

Answer has been filed in this case and a claim in reconvention has been made for non-payment of the 1st year frequency license fees of RS.103.5 Million + Rs.69 Million respectively. Further, 2.3 Million for non-payment of frequency invoice by the Plaintiff. Plaintiff has filed another counter affidavit and the case is fixed for trial on 9th May 2016.

TELECOMMUNICATIONS REGULATORY COMMISSION OF SRI LANKA
NOTES TO ACCOUNTS -31.12.2015
(Expressed in Sri Lanka Rupees)

(Contd...)

PROPERTY, PLANT & EQUIPMENT

COST	BALANCE AS AT RE-STATED 01.01.2015	For the Year 2015		BALANCE AS AT 31.12.2015
		ADDITIONS	DISPOSALS/ TRANSFERS	
Lands	148,235,572	628,199		148,863,771
Lease Hold Lands	345,502	0		345,502
Buildings	150,381,065	0		150,381,065
Kokavil Tower	314,933,479	0		314,933,479
Vauniya Tower	29,900,741	0		29,900,741
Vehicles	160,779,172	21,748,052	13,810,000	168,717,224
Air conditioners	13,672,889	317,203		13,990,092
Elevators	4,683,848	0		4,683,848
Generators	2,665,428	0		2,665,428
Computers	80,224,328	10,475,059		90,699,387
Web Server	2,213,661	0		2,213,661
Other Office Equipment	26,823,423	1,795,556		28,618,979
Mobile Phones	804,377	257,490		1,061,867
Office Furniture	20,101,299	155,736		20,257,035
Technical Equipment	29,747,368	6,452,445		36,199,813
FMMS Project Surveil- lance Vehicles	4,400,000	57,312,127		61,712,127
FMMS Project Equipment	303,819,128	104,484,416		408,303,544
Gymnasium Equipment	5,629,707	0		5,629,707
Video Unit Equipment	10,961,059	0		10,961,059
Computer Software	0	3,440,168		3,440,168
	1,310,322,044	207,066,451	13,810,000	1,503,578,495
Land Lotus Tower	11,715,212,127			11,715,212,127
	13,025,534,171	207,066,451	13,810,000	13,218,790,622

DEPRECIATION	BALANCE	For the Year 2015		BALANCE
	AS AT	ADDITIONS	DISPOSALS/ TRANSFERS	AS AT
	01.01.2015			31.12.2015
Buildings	106,213,757	5,089,814		111,303,571
Kokavil Tower	118,564,082	31,493,348		150,057,430
Vauniya Tower	11,960,297	2,990,074		14,950,371
Vehicles	65,274,609	18,477,589	9,943,750	73,808,448
Air Conditioners	9,130,951	676,020		9,806,970
Elevators	4,683,848	0		4,683,848
Generators	2,665,428	0		2,665,428
Computers	61,867,095	9,756,786		71,623,881
Web Server	2,213,661	0		2,213,661
Other Office Equipment	18,417,788	1,712,370		20,130,158
Mobile Phones	505,475	72,102		577,577
Office Furniture	10,985,902	1,476,123		12,462,025
Technical Equipment	12,222,350	3,291,357		15,513,707
FMMS Project Surveillance Vehicles	2,750,000	1,158,451		3,908,451
FMMS Project Equipment	301,368,453	3,244,608		304,613,061
Gymnasium Equipments	2,801,754	1,407,427		4,209,180
Video Unit Equipment	8,769,479	1,352,360		10,121,839
Computer Software	0	1,508,019		1,508,019
	740,394,927	83,706,447	9,943,750	814,157,624

NET BOOK VALUE

12,285,139,243

12,404,632,998

Notes

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

5 WORK IN PROGRESS

	BALANCE	For the Year 2015		BALANCE
	AS AT 01.01.2015	ADDITIONS	(TRANSFERS)	AS AT 31.12.2015
Establishment of System Software	2,050,620	11,591,443		13,642,063
Entrance Lobby & Main H/O Building	0	10,057,910		10,057,910
Construction of Lotus Tower	7,694,920,915	1,382,651,058		9,077,571,973
IT Park - Hambantota	116,063,514	392,870,925		508,934,439
Double Cab - Imported	841,572	0	841,572.00	0
	7,813,876,621	1,797,171,335	841,572.00	9,610,206,384

**TELECOMMUNICATIONS REGULATORY COMMISSION
OF SRI LANKA**

NOTES TO ACCOUNTS -31.12.2015

(Contd...)

(Expressed in Sri Lanka Rupees)

	<u>31.12.2015</u>	<u>31.12.2014</u>
6 INVESTMENTS		
Treasury Deposits	354,000,000	354,000,000
Fixed Deposit -People's Bank	12,750,000,000	7,000,000,000
Government Securities under Re-Purchase Agreement	<u>9,150,000,000</u>	<u>7,700,000,000</u>
	22,254,000,000	15,054,000,000
Interest Receivable on Fixed Deposits & REPO	<u>206,553,336</u>	<u>100,110,654</u>
	<u>22,460,553,336</u>	<u>15,154,110,654</u>
7 MOBILIZATION ADVANCE PAYMENT		
Mobilization Advance Payment -(LOTUS TOWER)	1,198,352,636	1,194,917,991
Mobilization Advance Payment -(IT PARK)	<u>241,322,359</u>	<u>271,265,262</u>
	<u>1,439,674,994</u>	<u>1,466,183,253</u>
8 ACCOUNTS RECEIVABLE		
CESS Receivable	339,219,175	327,304,503
TDC Receivable	887,621,501	1,066,179,638
Levy on OLAC Receivable	119,437,954	152,120,503
Telecom. Levy Receivable	1,913,596,295	1,749,243,261
Kokavil Tower Recoverable	83,477,886	71,647,827
Outstanding Staff Loans Recoverable	2,552,169	2,663,325
Air Ticket Receivable	0	279,271
Trade Debtors	2,225,048,960	185,727,275
Mobile Operators Levy	<u>250,000,000</u>	<u>0</u>
	<u>5,820,953,940</u>	<u>3,555,165,603</u>

08 A Trade Debtors

Radio Frequency Fees	2,597,816,315	540,796,923
Armature Radio License Fees	30,411	22,474
	<u>2,597,846,727</u>	<u>540,819,397</u>
Less - Provision for Bad Debtors **	<u>(372,797,766)</u>	<u>(355,092,121)</u>
	<u>2,225,048,960</u>	<u>185,727,275</u>

Note: (1)

	<u>Debtors</u>	<u>Provisions</u>
<u>Provision for Bad Debtors</u>		<u>%</u>
		10
More Than 02 Years	371,620,005	0
More Than 01 Year Less Than 02 Years	1,177,762	10
More Than 6 Months & Less Than 01 Year	0	0
More Than 2 Months & Less Than 6 Months	0	0
More Than 01 Month & Less Than 2 months	0	0
Less Than 01 Month	0	0
	<u>372,797,766</u>	<u>355,092,121</u>

Note: (2)

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

**TELECOMMUNICATIONS REGULATORY COMMISSION OF
SRI LANKA**

NOTES TO ACCOUNTS -31.12.2015 (Contd...)

(Expressed in Sri Lanka Rupees)

	<u>31.12.2015</u>	<u>31.12.2014</u>
9 PREPAYMENT AND ADVANCE		
Pre Payments	0	1,930,000
Special Advances	575	575
Festival Advances	272,000	195,758
Purchase Advances	151,640	247,640
Fixed Assets Transit	4,900,075	0
	<u>5,324,290</u>	<u>2,373,973</u>
	-	
10 LOANS AND OTHER RECEIVABLES		
Distress Loans	25,890,225	32,923,417
Motor Vehicle Loans	105,620,762	89,560,302
Property Loans	3,114,049	3,695,023
Motor Cycle Loans	359,331	703,294
Salary Deduction Recoverable	27,655	12,987
Other Receivables	2,556,326	640,000
VAT Control Account	141,450,189	141,398,308
Commissioner General of Inland Revenue (WHT)	0	259,023,878
Claimable Economic Service Charges	0	20,771,817
	<u>279,018,537</u>	<u>548,729,026</u>
11 CASH & CASH EQUIVALENTS		
11 A Cash At Bank	641,035,061	783,438,832
11 B Cash In Hand	237,503	100,849
Money Market Saving Account	275,396,397	4,896,916,886
	<u>916,668,961</u>	<u>5,680,456,567</u>
11 A CASH AT BANK		
People's Bank - Narahenpita Branch, (Deposit Account)		
A/c NO.119/RFC/SA/USD/0032	80,133,171	71,953,150
People's Bank - Narahenpita Branch, (Collection Account)		
Current A/c No.119-1-001-4-3693169	318,598,221	711,182,057
People's Bank - Narahenpita Branch, (ITO Levy)		
Current A/c No. 119-1-001-3-3693264	232,768,161	225,296
Bank of Ceylon - Narahenpita Branch		
Current A/c No.2323167	9,535,509	78,329
	<u>641,035,061</u>	<u>783,438,832</u>

11 B CASH IN HAND

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	15,000
Petty Cash - Compliance	5,000	5,000
Petty Cash - Investigation	0	25,000
Cash In Hand (Collection Account)	167,503	5,849
	237,503	100,849

12 GOVERNMENT CONTRIBUTIONS

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
	526,214,744	526,214,744

31.12.2015**31.12.2014****13 RETENTION**

Retention - Lotus Tower	742,909,015	611,198,130
Retention - IT Park	63,909,914	4,024,107
	806,818,929	615,222,237

14 GRATUITY BENEFITS

Provision for Gratuity	40,942,627	36,686,637
Fixed Deposit (Gratuity)	(36,700,000)	(21,835,000)
Net Benefit Liability	4,242,627	14,851,637

15 ACCOUNTS PAYABLE**ACCRUED EXPENSES**

Telephone - Office	578,063	390,303
- Bungalow	225,472	0
Salaries Control (Contract Employees)	2,113,111	2,054,051
Salaries Payable	118,134	112,884
W & O.P. Payable	72,678	115,625
Electricity	2,640,460	2,625,748
Water	31,573	83,658
Janitorial Services	414,824	290,773
Security Services	1,252,200	475,487
Overtime	735,994	906,324
E.P.F	2,855,772	492,214
E.T.F	340,354	59,065
Internet	261,993	1,109
Medical Insurance Claims	250,995	250,995
Staff Welfare	175,830	802,939
News Papers & Notifications	72,055	154,210
Audit Fees	1,267,520	1,198,520
Lease Rental	455,810	182,324
Bonus	18,319,345	23,425,346

Retention	60,595	460,489
2/3 Interest Reimbursement	200,962	0
Comm.Gen.IR (ESC,NBT & Stamp Duty)	0	34,495,266
Salary Deductions	87,292	87,792
Repairs & Maintenance	295,104	58,366
Air Ticket Payable	134,500	0
Stamp Duty Payable	853,310	707,458
PAYE Payable (Commission Members Miscellaneous)	77,905	60,639
Provision for Income Tax	69,901,484	80,257,764
	119,077,278	425,404,724
	<u>222,870,612</u>	<u>575,154,075</u>

ADVANCES,DEPOSITS AND

16 OTHER PAYABLES

Revenue Received in Advance	4,821,396,341	2,436,074,897
Refundable Deposits for Tender	1,686,667	1,574,667
Refundable Deposits -Employees	2,086,843	2,086,843
Advances Received for 1800 MHz	57,500,000	57,500,000
ICT for Effective Disaster Manage- Ins.claim for damaged Antenna	34,210	34,210
	25	25
Over recovery of Frequency Licence	1,730,776	0
C.T.O Telecenter Project	924,492	924,492
Construction Creditors	751,650	751,650
	<u>4,886,111,003</u>	<u>2,498,946,784</u>

31.12.2015

31.12.2014

17 PAYABLE TO TREASURY

50% TDC Payable to Treasury	443,810,750	533,089,818
Levy on OLAC Payable to Treas-	119,437,954	152,120,503
Telecom Levy Payable to Treas-	1,915,632,763	1,749,649,913
Mobile Operators Levy	250,000,000	0
	<u>2,728,881,467</u>	<u>2,434,860,234</u>

18 INCOME

Income- License Fees	18 A	11,654,266,334	14,136,865,663
Telecommunications Levy		27,859,339,451	26,055,119,580
Telecom Development Charges	18 B	5,865,810,050	5,493,314,001
Levy on Out Going Local Access		1,605,715,317	1,894,515,739
Mobile Tele Operators Levy		1,250,000,000	0
		<u>48,235,131,152</u>	<u>47,579,814,983</u>

18 A INCOME - LICENSE FEES

System Operator License Fees	107,708,483	261,816,469
Cess Fees	3,840,742,141	3,651,983,268
Radio Frequency Fees	6,756,145,435	8,672,210,063
Vendor License Fees	13,086,877	12,336,975
Amateur Radio License Fees	55,738	95,025
Ship Station License Fees	764,455	797,624
Aircraft Station License	940,818	1,047,703
Cordless Phone Dealer Charges	66,757,611	51,506,290
Examination Fees	393,858	374,130
Application Processing Fees	6,531,511	1,020,408
Short Code Charges	14,795,918	8,418,367
Sundry Income - 18 A(1)	<u>1,117,143,155</u>	<u>1,711,196,261</u>
	11,925,066,000	14,372,802,583
Less :Nations Building Tax	<u>(270,799,666)</u>	<u>(235,936,920)</u>
	<u>11,654,266,334</u>	<u>14,136,865,663</u>

18 A**(1) SUNDRY INCOME**

Interest Income from Staff Loans	5,479,557	4,602,837
Interest Income from Deposits	365,370,996	1,430,589,214
Interest Income from REPO	602,626,438	41,692,802
Interest Income from Money Mar- ket Transactions	127,419,331	218,023,382
Other Income (Grant)	0	55,541
Gain / (Loss) on Disposal of Fixed Asset	12,807,094	15,358,408
Recoveries from Court Cases	3,286,623	0
Miscellaneous	<u>153,116</u>	<u>874,077</u>
	<u>1,117,143,155</u>	<u>1,711,196,261</u>

TELECOMMUNICATION DEVELOPMENT**18 B CHARGES (TDC)**

TDC Revenue	5,865,810,050	6,756,857,862
<u>Less:</u>		
Disbursement of TDC	0	(1,263,543,860)
	<u>5,865,810,050</u>	<u>5,493,314,001</u>

19 REGULATORY EXPENSES

ITU Annual Subscription	22,317,681	23,969,738
APT Annual Subscription	2,080,912	1,811,413
SAFIR Annual Subscription	545,611	532,529
Contribution to SATRC	348,618	2,001,806
Library Annual Subscription	94,914	39,866
CTO Annual Subscription	4,228,300	0
Participating in Regulatory Affairs Work	15,006,042	44,975,546
Filing & Depending Court Actions	4,913,866	1,321,127
Public Awareness on Telecom Development	751,617	114,246
Network Development Monitoring	56,333	289,816
Conduct Research Studies	0	80,000
Connect School/Con.Commu.	248,500	9,982
SATRC Meeting	0	4,468,610
Miscellaneous Regulatory Expenses	1,916,907	1,321,727
Communication Facilities for People with Special Needs	0	81,783
Economic Social Responsibility	12,913,925	930,837,289
Survey on quality of service	560,000	4,628
Visiting of Foreign Delegates	139,847	1,109,497
Global Symposium for Regulators	30,523,871	0
Development of ICT Practices	0	1,228,622
Magazine & Publication	3,885	0
Lotus Tower Project	310,042	696,615
Hosting Int-Conference	882,992	0
	<u>97,843,863</u>	<u>1,014,894,840</u>

<u>ADMINISTRATION & ESTABLISH- MENT EXPENSES</u>	<u>31.12.2015</u>	<u>31.12.2014</u>
Salaries	136,997,048	132,702,773
E.P.F. (15% Contribution)	32,730,228	18,011,093
E.T.F. (3% Contribution)	5,481,100	3,599,540
Cost of Living Allowance	0	6,600
Transport Allowance	18,784,215	17,165,125
House Rent Allowance	11,536,561	10,514,537
Other Allowances	3,475,727	1,765,965
Performance Incentive	28,975,290	26,410,448
Special Allowance	290,667	116,500
Additional Allowance	23,210,352	0
Bonus	12,392,498	15,551,938
Overtime	7,074,216	7,673,050
Chairman's Remuneration	798,362	450,000
Unutilized Vacation Leave	9,303,758	7,957,286
Commission's Contribution for Pension	855,998	1,394,820
Bungalow Telephones	2,693,413	2,727,617
Uniforms	473,350	438,464
Staff Welfare	7,229,695	9,549,773
Development of Sports Activities	1,193,361	1,001,412
Staff Professional Membership Subscript.	444,977	355,799
Local Training	244,750	1,519,112
Commission Members Allowance	111,500	82,500
Audit Committee Allowances	73,500	81,000
Housing Loan 2/3 Interest Reimbursement	4,321,359	4,185,803
Travelling & Subsistence	20,577	27,377
Gratuity	3,194,029	2,828,898
Electricity	12,825,132	13,701,743
Water	888,964	1,082,441
Janitorial Services	4,767,049	5,554,128
Security	5,003,893	5,421,718
Rates & Taxes	917,093	44,417
Library Books	124,100	146,240
Printing and Stationery	8,464,273	7,730,624
Fuel	2,457,155	4,968,382
Electrical Goods	843,153	487,153
Postage	1,052,542	1,092,259
Telephone, Fax and PABX	6,794,017	5,563,593
Insurance (Property & Medical)	47,619,530	43,613,393
Internet Charges	1,128,031	309,298
Vehicle Hiring Charges	180,000	1,665,790
Newspapers & Notifications	6,447,935	5,815,827
Consultancy fees	188,752	1,164,950

	<u>31.12.2015</u>	<u>31.12.2014</u>
Seminars & Conferences	28,595	1,030,442
Audit Fees	600,000	600,000
Legal Expenses	476,228	146,935
Rentals for Leased Premises	1,714,648	2,602,634
Transport Chargers	67,760	50,010
Rentals for Internet Leased Line	3,543,909	3,889,020
Depreciation	83,706,446	83,523,009
Administration Miscellaneous	1,678,746	1,682,681
Purchases & Supplies Miscellaneous	552,078	415,459
Operating Cost Miscellaneous	141,148	107,135
Office Equipment Maintenance	4,063,125	3,708,038
Elevator Maintenance	0	1,070,000
Vehicle Maintenance	4,589,946	4,035,878
Building Maintenance	1,739,715	4,594,268
Technical Equip. Maintenance	1,451,096	2,587,143
Software Maintenance & Development	13,302,086	25,811,767
Upgrade Lotus Dominion Server	0	239,400
Monitoring System Upgrade	0	2,054,023
Monitoring System Upgrade	567,196	341,705
Towers Maintenance	38,960	0
	<u>529,869,832</u>	<u>502,968,933</u>
<u>21 FINANCE & OTHER EXPENSES</u>		
Bank Charges	312,251	350,959
Stamp Duty	132,875	22,575
Interest on Gratuity Provision	2,440,993	1,508,664
	<u>2,886,118</u>	<u>1,882,198</u>

22 CONTRIBUTION TO THE CONSOLIDATED FUND

Contribution under Telecommunication Act	10,000,000,000	10,000,000,000
<u>Contribution under Finance Act</u>		
Telecommunication Levy Paid	27,861,285,917	26,055,119,580
50% Telecommunication Development		
Charges	2,935,118,252	3,378,428,931
Levy on OLAC Paid	1,605,715,317	1,894,515,739
Mobile Tele Operators Levy (Special		
Lum Sum Tax)	<u>1,250,000,000</u>	<u>0</u>
	<u>43,652,119,486</u>	<u>41,328,064,251</u>

23 CASH GENERATED FROM OPERATIONS

Net profit before tax		47,593,376,236	46,266,149,704
<i>Adjustments for</i>			
Depreciation on Property, Plant and Equipment		83,706,446	83,523,009
Provision for Bad & Doubtful Debtors		17,705,645	(10,326,247)
Retirement benefit obligation		3,194,029	2,828,898
Interest income from Fixed Deposit & REPO		(967,997,435)	(41,692,802)
Interest Income from Money Market Transactions		(127,419,331)	(218,023,382)
Interest cost on retirement benefit obligation		2,440,993	1,508,664
Gain on Foreign Currency Transactions		(6,550,542)	(726,181)
Gain on Disposal of Fixed Assets		(12,807,094)	(15,358,408)
		<u>31.12.2015</u>	<u>31.12.2014</u>
Changes in Working Capital			
Accounts Receivable	23-1	(2,283,493,981)	774,421,863
Prepayment and Advance		(2,950,317)	(155,007,041)
Loans and Other Receivables		269,710,489	(58,141,423)
Accounts Payable	23-2	(45,956,017)	(63,779,401)
Advances, Deposits and Other Payables		2,316,352,449	(945,597,352)
Payable To Treasury		0	(23,021,130)
Cash generated from operations		<u>46,839,311,572</u>	<u>45,596,758,711</u>

23-1 ACCOUNTS RECEIVABLE

Cess receivable	339,219,175	327,304,503
TDC receivable	887,621,501	1,066,179,638
Levy on OLAC receivable	119,437,954	152,120,503
Telecom levy receivable	1,913,596,295	1,749,243,261
Kokavil tower recoverable	83,477,886	71,647,827
Outstanding staff loan recoverables	2,552,169	2,663,325
Air ticket receivable	0.00	279,271
Radio frequency fees	2,597,816,315	540,796,923
Amature radio license fees	30,411	22,474
Mobile operater levy	250,000,000	0
	<u>6,193,751,706</u>	<u>3,910,257,725</u>
	<u>(2,283,493,981)</u>	

23-2 ACCOUNTS PAYABLE

As per Statement of Financial Position	222,870,612	575,154,075
Less: Provision for Income Tax	<u>(119,077,278)</u>	<u>(425,404,724)</u>
	<u>103,793,334</u>	<u>149,749,351</u>
	<u>(45,956,017)</u>	



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கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல. }
My No. }

CMU/A/TRC/1/15/19

ඔබේ අංකය
உமது இல. }
Your No. }

දිනය
திகதி }
Date }

16 August 2016

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 2015 in terms of Section 14(2) (c) of the Finance Act, No. 38 of 1971.

The audit of Financial Statements of the Telecommunications Regulatory Commission of Sri Lanka for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 and the profits and losses and comprehensive income statement, the 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 (Amendment) Act, No. 27 of 1996. My comments and observations which I consider should be published with the Annual Report of the Commission in terms of Section 14(2)(c) of the Finance Act appear in this report. A detailed report in terms of Section 13(7)(a) of the Finance Act was issued to the Chairman of the Commission on 21 July 2016.

1.2 Management's Responsibility for the Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.



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

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

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2:2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except of the matters described in paragraph 2:2 of this report the financial statements give a true and fair view of the financial position of the Telecommunications Regulatory Commission of Sri Lanka as at 31 December 2015 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-compliances with the following Sri Lanka Accounting Standards were observed during the course of audit.

(a.) Sri Lanka Financial Reporting Standard 13

Although, the Commission had shown the cost of Property, Plant, and Equipment amounting to Rs. 13,025,534,171 in the financial statements, the fair value had not been calculated and shown in the financial statements.



(b.) Sri Lanka Accounting Standard 01

Even though action should be taken to show the expenses incurred by an entity in the financial statements according to the nature of expenses or the relevance to the functions of the institution, a sum of Rs. 44,636,888 incurred on activities extraneous to the functions of the Commission had been shown in the financial statements as regulatory expenses.

(c.) Sri Lanka Accounting Standard 16

The following observations are made.

- (i) An area of about 50 per cent of a land 112 acres, 01 rood, and 10.5 perches in extent owned by the Commission, had been acquired by the Divisional Secretariat, Katana, and the value of the entire land had been shown as Rs. 45 million under the Property, Plant, and Equipment. Action should have been taken to revalue the assets and account the fair value, but, this had been shown by a note to accounts during the past 13 years.
- (ii) The fixed assets valued at Rs. 465,580,673 and used in the operations despite being fully depreciated as at 31 December of the year under review, had not been disclosed in the financial statements.

(d.) Sri Lanka Accounting Standard 18

As operator licenses had been issued once a 10 and 05 years, the renewal fee of licenses had been recognized as an income of the year of renewal. However, the accounting policy followed in that connection, had not been disclosed in the financial statements. Accordingly, the operator license fee amounting to Rs. 261,816,469 in the preceding year had varied up to Rs. 107,708,483 during the year under review.

(e.) Sri Lanka Accounting Standard 23

A loan amounting to US \$ 88.655 million had been obtained in the year 2012 for the construction of Colombo Lotus Tower, and a sum of US \$ 38.28 million of that had been spent up to the end of the year under review. Although, a borrowing cost of Rs. 16.64 million had been incurred on the said loan up to the end of the year under review, the qualified amount of borrowing cost that had been capitalized as per the Standard, and the capitalization rate, had not been disclosed in the financial statements.



2.2.2 Accounting Deficiencies

The following observations are made.

- (a) As a frequency license income of Rs. 14,886,858 relating to the preceding year, but invoiced in the year under review had been accounted as an income of the year under review, the frequency license income for the year under review had been overstated by that amount in the financial statements.
- (b) The depreciation on fixed assets for the year under review had been understated by a sum of Rs. 782,882 due to computational errors.
- (c) Seven vehicles had been sold during the year under review, and due to errors in computing the profit arisen from the sale of those vehicles, a sum of Rs. 335,428 had been overstated in the accounts. Furthermore, the market price of a vehicle amounting to Rs. 3,500,000 had been eliminated from the accounts in lieu of its cost, and the cost of the said vehicle had remained unidentifiable to the Commission. Accordingly, the loss or the profit resulted from the removal of the vehicle could not be identified.
- (d) The Super Gain Tax paid in terms of Finance Act, No. 10 of 2015 should have been adjusted to the opening retained earning balance in the statement of changes in equity for the year under review. However, the Commission had deducted the tax amounting to Rs. 464,030,556 from the pre-tax profit of the current year. Accordingly, the after-tax profit of the year under review had been understated by a sum of Rs. 464,030,556 in the financial statements. Similarly, the disclosures relating to the Super Gain Tax had not been revealed in the Financial Statements.
- (e) As the balance of the RFC account amounting to Rs. 80,133,171 had been shown as tax-exempt income in lieu of the interest income of the RFC account amounting to Rs. 1,622,984 in computing the income tax liability for the year, the taxable income had been undercalculated by a sum of Rs. 78,510,187. Accordingly, the income tax expense for the year under review had been understated by a sum of Rs. 21,982,852 in the financial statements.
- (f) Expenses amounting to Rs. 7,268,291 payable by the end of the year under review including the expenses incurred on the consultancy services obtained in connection with the construction of the Lotus Tower project, had not been accounted as accrued expenses. The gratuity of Rs. 444,812 to be paid to an officer scheduled to retire in the year 2016, had not been recognized as a current liability.

- (g.) Of a sum of Rs. 50 million paid to the Army Welfare Fund in the preceding year, the sum of Rs. 27,722,963 received by the Commission during the year under review, had been credited to the Economic and Social Responsibilities Expenses Account. Hence, the expenses on the economic and social responsibilities for the year under review had been understated by that amount.
- (h.) Operator license fees of Rs. 1,305,544,313 recoverable from 3 telecommunication operators had not been recovered, whereas the balance recoverable from an operator had not been computed. The operator license fees receivable as at 31 December of the year under review had not been identified and included in the financial statements.

2.2.3 Lack of Evidence for Audit

Although Rs. 141,398,308 of VAT had been shown in the opening receivable accounts of the year under review, documentary evidence had not been made available to audit to verify the said balance.

2.3 Accounts Receivable and Payable

The following observations are made.

- (a.) Although a sum of Rs. 371,620,005 included in the debtor balance of the Commission by the end of the year under review, had been classified as outstanding loan balances of more than 02 years, balances that remained outstanding over a period of more than 20 years had also been included therein.
- (b.) A fee of Rs. 119,920,691 had remained recoverable since the year 1981 for the frequencies provided for the Sri Lanka Broadcasting Corporation, and frequencies that had not been invoiced, had existed from the year 1998 up to 2015. Invoices had not been issued with respect to 10 frequencies during the year under review.
- (c.) The employee loan balance that remained in arrears over a period of more than 02 years amounted to Rs. 2,663,325.
- (d.) In accordance with the general instructions on the registration of institutions or persons using the frequencies, a sum of Rs. 8,889,143 could not be recovered from a Company due to failure in collecting the certified copies of Memorandum of Association and the Articles of Association.

- (e.) Action had not been taken to recover a sum of Rs. 83,477,885 from the operators who had been using the antenna and the transmission tower in *Kokavil* from the year 2012 up to 31 December of the year under review.
- (f.) According to the schedule of debtor balances, the number of debtors with negative balances amounting to Rs. 1,730,775, was 462. Action had not been taken either to settle or write off the said negative balance. Instead, the balance had continuously been shown in the accounts over a long period of time.
- (g.) Of the balance receivable by the Commission as at 31 December of the year under review, letters of confirmation of balances totalling Rs. 2,024,252,991 had been sent to 16 debtors with balances over Rs. 1 million. However, 11 debtors totalling Rs.336,260,623 had not confirmed their balances.
- (h.) The tax amounting to Rs. 250,000,000 imposed on the mobile network operators and recoverable before 15 November of the year under review in terms of Part IV of the Financial Act, No. 10 of 2015, had not been paid to the Commission by an operator.

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

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

<u>Reference to Laws, Rules, Regulations and Management Decisions</u>	<u>Non-compliance</u>
(a.) Section 11 of the Finance Act, No. 38 of 1971, and Public Finance Circular, No. PF/PE/09 dated 27 June 2000.	A sum of Rs. 21,900,000,000 had been invested in fixed deposits and Treasury bills by the Commission during the year under review without the approval of the Treasury.
(b.) Parts V and VII of the Finance Act, No. 10 of 2015.	Although, the Commission is exposed for the recovery of the Satellite Location Tax and the Dedicated Sports Channel Tax, to be credited to the Consolidated Fund after being recovered, action had not been taken to recover those taxes.
(c.) Financial Regulation 757(2) of the Democratic Socialist Republic of Sri Lanka	A Board of Survey had not been conducted for the year under review, and the reports had not been furnished to the Auditor General.



- (d.) Public Enterprises Circular, No. PE 56 dated 27 January 2011. The funds that had exceeded the working capital requirements of the Commission for a period of 06 months, should have been remitted to the Consolidated Fund. However, the Commission had not done so.
- (e.) Section 2.3 of Public Enterprises Circular, No. 3/2015 dated 17 June 2015. Fifty per cent of the specified allowance should be paid to the Chairman of the Commission as per the provisions of the Circulars. Contrary to that the total allowance of Rs. 100,000 had been paid with effect from July of the year under review.
- (f.) Treasury Circular, No. IAI/2002/02 dated 28 November 2002. A Fixed Assets Register had not been separately maintained for computers and computer accessories.
- (g.) Circular letter dated 19 February 1990 of the Secretary to the Ministry of Policy Development and Implementation. All services relating to the legal affairs of Public Corporations, Government Institutions, Business Undertakings and people's Companies should be done by the Attorney General as decided by the Cabinet of Ministers. Contrary to that a sum of Rs. 4,105,707 had been paid to persons and private institutions by the Commission during the year under review for obtaining legal services.
- (h.) Public Administration Circular No. 15/2007 dated 12 June 2007 and Sub-section 7.4.1 of Chapter XXIV of the Establishments Code.
- (I) Despite being informed that vehicle loans should be paid through commercial banks, vehicle loans totalling Rs. 18,195,250 had been paid to 11 officers during the year under review from the funds of the Commission based on the internal Circular, No. TRC/04/12 dated 14 August 2013.
- (II) Without consulting the Treasury on the interest recoverable from vehicle loans, the Commission had recovered only an annual interest of 4.2 per cent as per the provisions of the said Circular.
- (i.) Public Enterprises Circular, No. PED/27 dated 27 January 2005. The draft annual report had not been furnished together with the financial statements.



- (j.) Section 9.14.2 of the Public Enterprises Circular, No. PED/12 dated 02 June 2003 Recruitments had been made without obtaining the approval of the Secretary to the Treasury through the Department of Public Enterprises for the scheme of recruitment prepared on the approval of the Commission for recruiting officers and employees to the Commission.
- (k.) Paragraph 04 of the Ministry of Finance and Planning Circular, No. BD/CPB/1/1/2012 dated 30 December 2011 Even though the maximum distress loan payable to an employee had been limited to Rs. 250,000, a sum of Rs.997,437 had been paid in excess of that limit in 10 instances in accordance with the Internal Circular, No. TRC/04/12.

2.5 Transactions not supported by Adequate Authority

The following observations are made.

- (a.) A sum totalling Rs. 35,926,229 had been paid to the officers of the Commission during the year under review as attendance allowance, bonus, communication allowance, and house rent allowance without the approval of the Treasury and based solely on the decisions taken by the Commission.
- (b.) The PAYE tax should be remitted to the Department of Inland Revenue after being deducted from the salaries of the relevant officers in terms of Inland Revenue Act, No. 10 of 2006 and its amendments. Contrary to that, a total sum of Rs. 9,039,777 had been remitted from the funds of the Commission, during the year under review.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the pretax profit of the Commission for the year under review amounted to Rs. 47,593,376,236 as compared with the corresponding pretax profit of Rs. 46,266,149,704 for the preceding year, thus indicating an improvement of Rs. 1,327,226,532 in the financial result of the year under review. The increase in the income from the telecommunications tax and mobile network operators' tax by Rs. 3,054,219,871, and the decrease in the regulatory expenses by Rs. 917,050,977, despite the decrease in the income from the license fee by Rs. 2,482,599,329, had mainly attributed to the improvement of the financial result.

3.2 Contribution

Although the increase in the contribution for the year under review amounted to Rs.1,388,735,990 as compared with the preceding year, the increase in the contribution for the year under review amounted to Rs. 138,735,990 after removal of the effect of mobile network operators tax amounting to Rs. 1,250,000,000 that had been added in the year under review in terms of Finance Act, No. 10 of 2015. It was further observed that the contribution for the year under review had decreased by Rs. 577,488,848 when the effect of an expense amounting to Rs.716,224,838 that had been irrelevant to the operations of the preceding year was removed as such an expense had not incurred in the year under review.

3.3 Analytical Financial Review

Significant variances were observed between of the income and expenditure of the Commission as compared with that of the preceding year.

- (a.) As the investments in fixed deposits made during the year under review had decreased from Rs. 74,106,362,761 to Rs. 33,250,000,000, and the interest rate on the fixed deposits had declined, the interest income on fixed deposits had decreased by 74 per cent.
- (b.) An income of Rs. 1,250,000,000 had been received during the year under review as a new tax had been levied on the mobile network operators in terms of Finance Act, No. 10 of 2015.
- (c.) Expenses contrary to the objectives of the Commission had been incurred in the preceding years, and those expenses had been shown as economic and social responsibilities of the Commission. However, such expenses had decreased by 90 per cent during the year under review.

3.4 Legal Proceedings Instituted against the Commission

Fifteen legal cases had been filed against the Commission by external institutions and persons, and employees of the Commission. Two external institutions of them had claimed compensation totalling Rs. 47.346 million from the Commission in connection with the non-implementation of the frequency project, and breach of contract agreement.



4. Operating Review

4.1 Performance

The following observations are made.

- (a.) The main objectives of the Commission include: strengthening of regulatory process, protection of public interest, and promoting the sustainable development of the telecommunication industry in response to the challenges of the increasingly competitive market. An Action Plan had not been prepared for the year under review with emphasis on the functions required for achieving those objectives. Hence, the planning of objectives of the Commission and the progress in achieving them could not be examined.
- (b.) Although it is one of the objectives of the Commission to ensure the proper functioning of the telecommunications network in different regions of Sri Lanka, disturbances in the frequencies being in use were revealed. According to the information of the Commission, the existing network is older than 17 years, but the installation of a new system by replacing the older one had not been done even during the year under review.
- (c.) Although a company had informed by the letter dated 13 August 2014 that the company no more used the frequency band 2430 – 2483.5 MHz, the Commission had not taken action to cancel the utilization of the said frequencies.
- (d.) The Commission had established Fixed and Mobile Monitoring Stations. However, in instances where frequency fees were not paid by the parties using the frequencies, the Commission had not systematically supervised whether the frequencies allocated to them were used or not. I was informed by the Director General that it was impossible to monitor the frequencies island-wide as there had been only 02 officers for monitoring the frequencies.

4.2 Operating Activities

The following observations are made.

- (a.) Payments of cess had not been made by an institution for the period from October to December of the year under review in accordance with Section 22 (g) of the Sri Lanka Telecommunications Act, and the notification published in the Gazette Extra ordinary No. 1686/4 dated 27 December 2010 of the Democratic Socialist Republic of Sri Lanka. Nevertheless, due to lack of legal provisions in the Act to recover the defaulted taxes, the taxes that had been defaulted could not be recovered.



Even though the Director General informed me from time to time since the year 2011 that a methodology for obtaining the legal authority to impose a fine on the license holders who defaulted paying the cess or delayed making payments would be included in the Telecommunications Act, such action had not been taken up to date.

- (b.) The operators should pay the fee within 02 weeks from the date of issuing the invoice for the frequency fee. However, payments had been made after a delay ranging from 07 days to 04 months in respect of 12 invoices totalling Rs. 1,048,313,680 issued during the year under review. As a proper methodology had not been introduced to recover the frequency fees, recovery of fees defaulted or delayed, had failed.
- (c.) In paying the Employee Provident Funds and Employee Trust Funds totalling Rs. 14,909,235 that had been computed on the cost of living allowance for the period from February 2006 to February 2013, the contribution from the employees, amounting to Rs. 5,324,727 had also to be paid by the Commission.
- (d.) The telecommunication levies should be paid to the Commission before the 15th day of the ensuing month in accordance with the Telecommunication Levy Act, No. 21 of 2011. However, 03 institutions liable for paying taxes, had defaulted on the payment of levies during the period from 2011 to 2015. Furthermore, legal action had not been taken against 02 of the said institutions in terms of Sections 6(3), (4), (5), and (6) of the Act.
- (e.) According to the monthly statements of the operators, telecommunication levy and the cess are charged monthly. The Commission, through the Chartered Accountant, had introduced a methodology to verify the amount of taxes relating to the year by using a reconciliation statement presented in respect of those two types of taxes after the end of the financial year. Nevertheless, for the year 2014, and the year under review, those reconciliation statements had not been presented even as at 06 June 2016 by 06 and 14 institutions respectively.

4.3 Transactions of Contentious Nature

The following observations are made.

- (a.) Following a decision by the Commission, a building at the *Longdon Place* had been obtained on rent basis at a monthly rental of Rs. 300,000 for a duration of one year with effect from November 2014 without calling for bids, contrary to F.R 835(2)(c) and in terms of the Presidential Secretariat Circular, No. CA/1/17/1 dated 04 May 2010. The building had remained idle without being used for the intended purpose, and the



building had been handed over back after a period of 07 months. The owner of the building had been paid a total of Rs. 3,150,000 including key-money amounting to Rs.1,800,000, and a sum totalling Rs. 1,350,000 at Rs. 225,000 per month for the period from November 2014 to April 2015. A sum of Rs. 3,701,942 for water/electricity, security expenses, repairs, and miscellaneous expenses, and a sum of Rs. 8,426,486 for purchasing computers and air conditioners, had also been incurred during the same period. The sum of Rs. 1,350,000 paid as rentals during the period of lease had been an un-economic, expense whereas action had not been taken even as at 27 June 2016 to recover the sum of Rs. 1.8 million paid as retention money.

- (b.) For the production of a film and a tele drama, an activity that was unlikely to be in line with the achievement of the objectives of the Commission, the Commission had agreed to pay sums of Rs. 64,383,813, and Rs. 7,956,000 respectively on the approval of the Commission. For the production of the film and the tele drama, sums of Rs. 32,191,906 and Rs. 7,160,400 had respectively had been paid to the producers by considering it as a social responsibility expenditure.

4.4 Uneconomic Transactions

A sum of Rs. 4,045,841 had been incurred on accommodation, foods, and miscellaneous expenses in respect of the get-together and the trip organized in the year 2015 for the employees and their families.

4.5 Contract Process

4.5.1 Construction of the Lotus Tower

The following observations are made.

(a.) Progress of the Construction

According to the contract agreement for the said construction, the construction had been scheduled to complete within a period of 912 days by commencing on 12 November 2012 and completing by 12 May 2015. However, only the concrete structure had been completed by that date. Although the approval had been granted to extend the period of contract up to October 2017, following a decision taken by the Commission on 28 August 2015, Cabinet approval had not been obtained in that connection and the Steering Committee of the project had not met until 31 December after 02 January 2015.



(b.) Installation of Elevator and Escalator

- (i) According to the Critical Path furnished together with the contract agreement, the installation of mechanical, electrical and special equipment should have been completed within a period of 08 months by commencing on July 2014 and completing by March 2015. However, action had not been taken to install any of the equipment.
- (ii) The technical and financial evaluation report had been furnished to the Commission for approval on 13 October 2014 by the Project Consultancy Unit for the installation of elevator and the escalator. However, the approval had been granted only on 29 March 2016. An additional expenditure of US \$ 1,757,898 had also been approved therein.
- (iii) Although the audit had been informed by the Telecommunications Regulatory Commission that a committee had been appointed to look into issues relating to the procurement of the installation of elevators, the report of the committee had not been furnished to the audit. Instead, only the proposals included therein had been presented to the audit in writing.

(c.) The Feasibility Study of the Project

According to the loan agreement entered in to between the Telecommunications Regulatory Commission of Sri Lanka and the Export-Import Bank of China on 17 September 2012, the interest rate on the loan should be computed by adding the 4 per cent margin of fixed interest to the Intercontinental Exchange London Interbank Offered Rate. (LIBOR) However, the borrowing cost shown in the feasibility report had been computed by considering the margin of fixed interest as 3.5 per cent, and due to significant variances such as, understating the borrowing cost of the project by a sum of Rs.265 million and the insurance cost of the project by a sum of Rs. 682 million, and the present value of the budgeted income of the project had been calculated with the discount rate of 4 per cent in lieu of the capital cost (Discount Rate) of 4.32 per cent, it was observed that the assessed payback period of the project could vary.

4.5.2

Construction of the TRC Media Center at IT Park in Hambanthota

According to the contract agreement for the construction of TRC Media Center valued at Rs. 2,663 million, the construction should have been commenced on 10 August 2014 and completed by July 2016. The amount of Rs. 508 million paid for the project as at 31 December 2015 represented 19 of the contract value. Despite being reported that the scope of the project had to be limited due to inadequacy of the infrastructure, the project had been abandoned by 23 June 2016.



4.6 Personnel Administration

The following observations are made.

- (a.) Even though the approved cadre of the Commission as at 31 December of the year under review was 291, the actual cadre stood at 218. There were 89 vacancies and the excess, cadre was 16.
- (b.) Sixteen persons had been recruited for 06 posts external to the approved cadre without obtaining the approval of the Department of Management Services.
- (c.) A monthly remuneration of Rs. 719,000 had been paid by appointing 05 consultants without Cabinet approval, whereas duty lists had not been issued to 02 of them.
- (d.) The Director General had informed that the dearth of employees of the Commission had affected the following matters.
 - (i) Due to dearth of officers trained in the management of frequencies, regulations for charging fees on frequencies could not be introduced.
 - (ii) As only 02 officers had been assigned to monitor frequencies, there had been no possibility to monitor frequencies island wide and,
 - (iii) Due to dearth of officers with expertise in radio technology, the procurement of a new system for monitoring frequencies by replacing the existing one that had been 17 years old, had failed.

5. Accountability and Good Governance

5.1 Tabling of Annual Reports

The Annual Report for the year 2014 had not been tabled in Parliament even by 30 May 2016.

5.2 Internal Audit

The following observations are made.

- (a.) Although, approval had been granted for a Chief Internal Auditor and 03 Assistant Auditors for the Internal Audit Division of the Commission, only the Chief Internal Auditor and an Assistant Auditor had been appointed by 31 December of the year under review.
- (b.) The Internal Audit Division had not conducted audits on significant areas. The project implemented by the Commission for the construction of Lotus Tower, and the construction of TRC Media Center at IT Park in *Hambanthota*, had not been audited.

5.3 Budgetary Control

Variations ranging from 10 per cent to 46 per cent were observed between the budgeted values and the actuals of the budget approved by the Commission on 10 March 2015. Furthermore, a sum of Rs. 9,309,870,507 had been incurred on 10 Objects without being included in the budget. As such, it was observed that the budget had not been made use of as an effective instrument of management control.

6. Systems and Controls

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

<u>Area of Systems and Controls</u>	<u>Observations</u>
(a) Budgetary Control	The fact that the budget had not been made use of as an effective instrument of management control
(b) Control of Loans	Existence of loan balances that had remained outstanding for over a long period of time, and recovery of loans remained at a weak level.
(c) Revenue Control	Failure to obtain approval for sufficient legal provisions on the collection of revenue.
(d) Investments	Investing in fixed deposits and Treasury bills without approval of the Treasury.
(e) Payment of Allowances	Payment of allowances on the decisions of the Commission for attendance, bonus, communication and house rents without approval of the Treasury.
(f) Contract Administration	Delay in the construction of Lotus Tower. Abandonment of project for the construction of TRC Media Center at IT Park in <i>Hambanthota</i>

H.M. Gamini Wijesinghe.
Auditor General