

Sri Lanka Press Council - 2010

1. Financial Statements

1.1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Sri Lanka Press Council had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters, referred to in paragraph 1.2 of this report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles, give a true and fair view of the state of affairs of the Sri Lanka Press Council as at 31 December 2010 and the financial results of its operation and cash flows for the year then ended.

1.2 Comments on Financial Statements

1.2.1 Accounting Deficiencies

Even though a demurrage charge of Rs.100 should be recovered from every newspaper registered after 31 March for a delay of one month, action had not been taken to recover and account the demurrage charges from 24 news papers.

1.2.2 Accounts Receivable

A sum of Rs.70,400 had not been recovered from Lanka Puwath.

1.2.3 Audit Evidence

The following matters were observed.

- (a) Journal vouchers for 41 journal entries valued at Rs.6,025,608 were not made available.
- (b) Even though the bills for Rs.49,625 had been submitted for providing meals to School Children who participated in the work shop held in Monaragala District, the attendance registers to ensure the number of participants were not made available.
- (c) According to the Board of survey reports , the fixed assets costing Rs.167,069 had been written off from books. The approval of the Board of Directors thereon was not made available for audit.

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

Instances of non-compliance with the following laws, rules, regulations etc., observed in audit are given below.

Reference to laws, rules etc.,

Non-compliance

(a) Press Council Act No. 5 of
1973

(i) Section 3(b)(i)

One member from a Panel which consists of not more than 7 persons nominated by journalists associations in Sri Lanka should be appointed as a member of the Board of Directors. Action had not been taken accordingly.

- (ii) Section 6
- The quorum for a meeting of the Board of Directors should be 5 members, but that requirement had not been fulfilled in 7 instances, out of 8 meetings of the Board of Directors held during the year 2010.
- (iii) Section 15 and Section 479 of the Penal Code
- Every person who publishes any profane matter or an offence coming under the Section 479 of the Penal Code or publication of an indecent or obscene matter can be imposed a fine of Rs.5000 or 2 year imprisonment.
- Nevertheless, it had not been so done against 6 such newspapers.
- (b) Section 14(3) of the Finance Act No. 38 of 1971
- Annual reports had not been tabled after the year 2008.
- (c) Public Enterprises Circular No. PED/12 of 02 June 2003 Paragraph 8.3.4
- Even though a special approval of the Board of Directors should be obtained for the payment of mobile phone charges of officers a sum of Rs.17,689 had been paid before such approval was obtained.
- (d) Letter No. DMS/A/U/MIM/19 dated 12 December 2006 of the Department of Management Services
- Except the cost of living allowance, the other allowances can be paid only after obtaining the approval of the Department of Management Services with the recommendation of the National Salaries and

Cadre Commission. But a sum of Rs.225,375 had been paid to 9 officers for seminars and workshops as allowances.

(e) Financial Regulation 371

Even though all advances should be settled at the end of the year, advances of Rs.57,000 had not been settled even by 31 December 2010.

2. Financial and Operating Review

2.1 Financial Review

2.1.1 Financial Results

According to the financial statements presented, the operation of the Council for the year ended 31 December 2010 had resulted in a deficit of Rs.13,445,044 before taking into account the Government grant. After taking into account the government grant of Rs.12,556,000 received for recurrent expenditure it had become a deficit of Rs.889,045. The financial results of the preceding year before taking into account the Government Grant had been a deficit of Rs.7,749,658 and it had become a surplus of Rs.552,342 after taking into account the Government Grant of Rs.8,302,000, received for recurrent expenditure. Increase in office rent and publicity expenses by Rs.790,000 and Rs.690,880 respectively in the year under review had been the reasons for the deterioration of Rs.1,441,387 in the financial results for the year under review.

2.1.2 Analytical Financial Review

Out of the expected objectives of the Council established under the Sri Lanka Press Council Act, No. 5 of 1973, only the registration of newspapers had been carried out for a number of years. Nevertheless, an expenditure of Rs.5,821,084 had been incurred in the year under review in addition to the personal emoluments to operate this institute. But the income received from the registration of newspapers had only been Rs.47,750.

2.2 Operating Review

2.2.1 Performance

The following observations are made.

- (a) Number of newspapers registered in the press council during the year 2010 amounted to 110. According to a sample test, action had not been taken to register 30 newspapers existed in the market for sale.
- (b) No any media organisation had been registered.
- (c) Even though a provision of Rs.1 million had been made to hold a Journalists awards ceremony, it had not been held.
- (d) A sum of Rs.757,734 had been incurred on one year diploma course in mass media studies and participated 25 persons at the beginning but only 23 persons had participated up to now. Even though the course fee of Rs.30,000 should be charged per person and collected a sum of Rs.750,000, only a sum of Rs.426,000 had been received.

- (e) A provision of Rs. 1 million had been made for the publication of books and researches but only 1000 "Madya Sameeksha" books had been printed by incurring an expenditure of Rs.108,740. Further 3644 books printed by the Book Marketing Division of the Council had not been sold even by 31 December 2010.

2.2.2 Managemnet Inefficiencies

The following matters were observed.

- (a) Registration fees of Rs.1000 per daily newspaper, Rs.500 per weekly newspaper and Rs.250 per other newspaper had been charged since 15 February 1994, but fees had not been revised since then, that is by 16 years.
- (b) The investment of Rs.1,619,051 made on 7 September 2009 for 3 years period in the People's Bank at an interest rate of 14% had been cancelled in March 2011. The Council had incurred a loss of Rs.173,168 due to non-taking an effective decision.

2.2.3 Resources of the Council given to Other Government Institutions

Contrary to the Section 8.3.9 of the Public Enterprises Circular No. PED/12 dated 02 June 2003, one driver had been released to the Ministry of Mass Media and Information and the Council had incurred a sum of Rs.259,560 for his salaries during the year under review.

2.2.4 Uneconomic Transactions

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- (a) An expenditure of Rs.86,896 had been incurred on 29 December 2009 for the plastering of walls and painting of the building taken on rent at an annual rental of Rs.1,380,000 in terms of the agreement entered into on 7 October 2009 for accomodation for the Office of the Press Council.

According to the valuation report No. CM/CMC/RC/224 of the Department of Valuation conditions should have been included in the agreement that all repair expenses should be borne by the owner. As action had not been taken accordingly, the above expenses could not be recovered.

- (b) Further, this office is being operated from the period of 27 years in rented out buildings with 14 staff by paying rent. Action had not been taken to obtain a permanent building for this office by drawing attention of the Ministry of Mass Media and Information.

2.2.5 Audit and Management Committee

Meetings of the Audit and Management Committee had not been held in terms of Paragraph 7.4.1 and 7.4.2 of the Public Enterprises Circular No. PED/12 dated 02 June 2003.

2.2.6 Budgetary Control

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- (a) The Budget for the year 2010 had been submitted after delay of one year contrary to the Paragraph 5.2.3 of the Public Enterprises Circular No. PED/12 of 02 June 2003.
 - (b) Significant variances were observed between the budgeted and actual income and expenditure thus indicating that the budget had not been made use of as an effective instrument of management co

3. Systems and Controls

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

- (a) Budget
- (b) Income
- (c) Maintenance of Running Charts
- (d) Enquiry of Complain
- (e) Registration of Newspapers
- (f) Security Service