Associated Newspapers of Ceylon Limited - 2014

The audit of consolidated financial statements of the Associated Newspapers of Ceylon Limited and its Subsidiaries for the year ended 31 December 2014 comprising the statements of financial position as at 31 December 2014 and the statements of comprehensive income, statements of changes in equity and statements of cash flow 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(3) 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 16 of the Associated Newspapers of Ceylon Limited (Special Provision) Law, No.28 of 1973. My comments and observations which I consider should be published with the Annual Report of the Company in terms of Section 14(2) (c) of the Finance Act appear in this report. The financial statements of the Subsidiaries were audited by the firms of Chartered Accountants in private practice appointed by the Board of Directors of the respective Subsidiaries.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Sri Lanka Accounting Standards for Small and Medium- Sized Entities (SLFRS for SME's) and for such internal control as the management determines is necessary to enable the preparation of consolidated 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 consolidated financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards, consistent with International Standard of Supreme Audit Institution (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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated 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 Company'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 the consolidated 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 qualified 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

(a) Qualified Opinion – Company

In my opinion, except for the effects of the adjustments arising from the matters described in paragraph 2.2.2 of this report, the financial statements give a true and fair view of the financial position of the Associated Newspapers of Ceylon Limited (ANCL) as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards for Small and Medium – Sized Entities.

(b) Qualified Opinion – Group

In my opinion, except for the effects of the adjustments arising from the matters described in paragraphs 2.2.1 and 2.2.2 of this report, the consolidated financial statements give a true and fair view of the financial position of the Associated Newspapers of Ceylon Limited (ANCL) and its Subsidiaries as at 31 December 2014 and their financial performances and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards for Small and Medium – Sized Entities.

2.2 Comments on Financial Statements

2.2.1 Comments on Group Financial Statements

Audited Financial Statements of the Lake House Property Development Private Limited, Infor Media (Private) Limited and Business Lanka AN (Private) Limited, which are fully owned Subsidiaries of the Company had been taken for preparing the consolidated financial statements.

The following deficiencies are made in this connection.

(a) Commercial Operations of Infor Media (Pvt) Limited had been ceased during the year 2012 due to heavy losses incurred and as a result the net assets of this Subsidiary had been deteriorated seriously. However, the financial statements of the Subsidiary was consolidated with the financial statements of the Company based on the assumption that group is in going concern, and Director's statement of solvency had not been included in its financial statements as per Section 57 of the Company's Act. No.07 of 2007.

(b) According to the financial statements of the Business Lanka AN (Pvt) Ltd, the net assets had been decreased by 87 per cent as compared with previous year due to heavy losses incurred during the year under review, and the Company had not satisfied the solvency test requirement as per Section 57 of the Company's Act No.07 of 2007. However, the financial statements of Business Lanka AN (Private) Limited has been consolidated with the financial statements of the Company based on the assumption that group is in going concern.

2.2.2 Comments on Financial Statements of the Company

2.2.2.1 Non – Adhering with Sri Lanka Accounting Standards for Small and Medium-Sized Entities (SME's)

The following non-adhering are made in this connection.

Reference to Section	Observation
(a) Section 2.52	The Company had set-off a debit balance of Rs.256,560 remain in trade creditors without being shown separately.
(b) Section 23.10	The Company had not separately identified and shown the revenue receivable from the Annual Publication Section and Commercial Printing Department of the Company.
(c) Section 8.5	The accounting policy adopted for the provision of bad and doubtful debts had not been disclosed in the financial statements.
(d) Section 33.9	Pledging of the property which was previously owned by Lake House Property Development Private Limited was not disclosed in the financial statements as requested by the Standard.

2.2.2.2 Accounting Deficiencies

The following observations are made.

(a) The salary deductions due to late attendance of the employees and other fines aggregating Rs.4,252,848 had been credited to the fine fund account, and accumulated credit balance of Rs.7,829,382 in that account had been shown as creditors as at 31 December 2014.

(b) Adjustments at the beginning and end of the year under review had not been made for the value of the returned papers allowed to accept in circulation of the newspapers as per the accounting policy on recognition of income as stated in the notes to the consolidated financial statements. As a result, the financial results for the year under review had been overstated by Rs. 564,315.

(c) Even though a sum of Rs. 2,190,724 had been incurred for printing of books during the year under review by the Annual Publication Department of the Company, stocks of unsold books printed by the Department as at 31 December 2014 had not been ascertained and brought to accounts. However, unsold book stocks valued at Rs.4,841,720 had been remained at the Department up to 07 May 2015.

(d) According to the information made available for audit, an amount equivalent to the debtors outstanding for more than one year is provided as bad and doubtful debts. Nevertheless, the Company had not made a provision for bad and doubtful debts according to the accounting policy. As a result, the provision for bad and doubtful debts had been overstated by Rs.5,594,856.

(e) A sum of Rs.3,623,786 had been provided for payment of incentive to an Advertising Agent during the year under review, out of the advertising income collected by him during the year 2012, without being adjusted in the financial statements as prior year errors.

(f) The value of sundry debtors as at 31 December 2014 had been overstated by Rs.2,400,000 due to non-recognition of settlement of debts as at that date.

2.2.2.3 Unexplained Differences

The following observations are made.

(a) Differences aggregating Rs. 128,253 had been observed between the creditors' ledger balances as per the age analysis submitted for audit and the corresponding amounts shown in the financial statements.

(b) A difference of Rs.7,017,468 on the debit balance and a difference of Rs.6,455,417 on the credit balance were observed between debtors' ledger balances and the corresponding amounts shown in the financial statements.

(c) Differences of Rs.21,362,336 relating to Commercial Printing revenue had been observed between the revenue register maintained by Commercial Printing Department and the amounts generated from the accounting system as at 31 December 2014.

(d) Differences totalling to Rs.11,285,183 had been observed between the value of ledger balance, and the value of physically verified stock balances relating to 14 items of stocks of which reconciliation had been made.

2.2.2.4 Accounts Receivable and Payable

The following observations are made.

(a) The Company had not taken necessary action in respect of unpresented cheques amounting to Rs.206,489 remained for more than 6 months.

(b) Unrealized debit balances and unrealized credit balances amounting to Rs.2,222,975 and Rs.2,436,958 respectively were remained in eight bank accounts of the Company without being cleared as at 31 December 2014. Further, it was observed that out of the above balances an unrealized debit balance of Rs.694,386 and an unrealized credit balance of Rs. 2,229,121 were remained as at 30 June 2015.

(c) According to the confirmations called from the debtors, the debtors amounting to Rs.28,958,545 out of total debtors valued at Rs.610,844,559 had been agreed with the whole of their balances. However, debtors valued at Rs.7,665,103 had not agreed with their balances. Confirmations had not been received from other debtors amounting to Rs.574,220,911 even up to 31 May 2014.

(d) Proper action had not been taken in respect of 32 dishonored cheques valued at Rs.1,527,632 and out of this, 17 cheques valued at Rs.888,313 had been outstanding for more than one year.

(e) The company had accepted the cheques amounting to Rs.253,665 relating to a particular debtor during the year under review. At the time of accepting these cheques the particular bank account had been closed and as such this amount had been remained as receivables without being recovered up to end of the year under review.

(f) According to the age analysis presented for audit a sum of Rs.82,335,592 shown under trade debtors were outstanding for more than one year and out of that, an amount of Rs.18,820,432 or 21 per cent had been referred to the Legal Section considering as unrecoverable.

2.2.2.5 Lack of Evidence for Audit

The verifications reports relating to fixed asset and closing stocks valued at Rs.308,238,708 had not been furnished to audit.

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

The following instances of non-compliance were observed in audit.

Reference to Laws, Rules, Regulations and Management Decisions etc.	Non-compliance
(a) Section 13 (5) (d) of the Finance Act, No.38 of 1971.	Half – yearly internal audit reports had not been furnished to the Auditor General.

(b)	Section 114 (1) of the Inland Revenue Act, No.10 of 2006 and Section 8.7 of the Public Enterprises Circular No. PED/12 dated 02 June 2003.	The Company had paid a sum of Rs.5,457,339 as Pay As You Earn (PAYE) tax for bonus payments made to the employees without deducting from the bonus payments made to the employees.
(c)	Public Enterprises Circular No. PED/12 of 02 June 2003:	
	(i) Section 9.2 (b) and (d)	Even though the approval of the Department of Public Enterprises should be obtained for the Organization Chart and the cadre, it had not been done so.
	(ii) Section 9.2 (a)	The approved cadre of the Company should be included in the Corporate Plan. Nevertheless, the actual cadre as at 31 July 2006 had been only included in the Corporate Plan prepared for the period from 2013 to 2016.
	(iii.) Section 9.3.1	Every public enterprise should have Schemes of Recruitment and Promotion for each post and that schemes should be approved by the Board and the appropriate Ministry with the concurrence of the Department of Public Enterprise and the General Treasury. However, the Company did not have such a scheme of recruitment and promotion procedure so approved. Hence, in recruitment for the posts of higher management other than the posts needed special professional qualifications, attention had not been paid to the specific educational and professional qualifications.
	(iv) Section 4.2.6	Quarterly internal audit reports for the year under review had not been sent to the appropriate line Ministry on time. Report for the final quarter had been sent only on 19 May 2015.
(d)	Government Procurement Guidelines 2006	
	Guideline 2.14.1	Approval from the Ministry of Mass Media and Information had not been obtained for the appointment of the Procurement Committee and Technical Evaluation

		Committee for the construction of a building at Katharagama valued at Rs. 32 million.
(e)	Section 2.5 of the Public Enterprises Circular No.58(2) of 15 September 2011	Even though a sum of Rs.74,236,890 had been spent by the Company for providing transport facilities to the officers of the Company during the year under review, the concurrence of the Hon. Minister of Finance and Planning had not been obtained to determine the transport allowances, fuel allowances and driving allowances and providing vehicles on hire basis to provide the transport facilities.

2.4 Transactions not covered by Adequate Authority

The following observations are made in this connection.

(a) Journal entries aggregating Rs.17,878,723 had been passed during the year under review in order in make corrective adjustments in the accounts without having proper and relevant supporting documents and approvals for all of the entries so passed. Further, in many occasions, it was observed that journal entries had been created and confirmed by the same person.

(b) In some instances fuel had been issued to officers exceeding their fuel limits without prior approval or on the basis of set off it during following month.

3. Financial Review

3.1 Financial Results

According to the consolidated financial statements presented, the operations of the Company and its Subsidiaries for the year ended 31 December 2014 had resulted in a pre- tax net profit of Rs.71,877,570 as compared with the corresponding pre- tax net profit of Rs. 73,074,312 for the preceding year, thus indicating a deterioration of Rs.1,196,742 in the financial results. The decrease of net revenue of the Commercial Printing Department especially for external jobs and increase in cost of sales of newspapers and periodicals were the main reasons attributed for this deterioration in the financial results for the year under review.

3.2 Analytical Financial Review

3.2.1 Significant Accounting Ratios

According to the information made available some of the important ratios of the Company for the year under review and the preceding year are given below.

Ratios	**2014** Percentage	**2013** Percentage
Gross Profit Margin	47.52	47.86
Profit Mark up (Gross profit on cost of sales)	90.55	91.81
Administration Cost on Turnover	37.57	36.74
Selling and distribution Cost on Turnover	9.45	9.07
Finance Cost on Turnover	2.37	3.86
Current Ratio	1.66	1.59
Acid Test Ratio	1.10	1.13

The gross profit margin and the profit markup of the Company for the year under review, as compared with the preceding year had decreased by 0.34 per cent and 1.26 per cent respectively.

3.3 Legal Cases Instituted by the Company and Legal Cases Instituted Against the Company

According to the information made available, it was observed that there were 65 legal cases instituted against the Company awaiting adjudication. However, as per the information received from the Secretary to the Company, 84 legal cases instituted against the Company awaiting adjudication and the unresolved claims relating to the above cases were Rs.6,378 million. But only a sum of Rs.10.6 million had been provided as contingent liability during the year under review. Accordingly the provision had been increased by Rs.5.9 million or by 555 per cent during the year under review as compared with the preceding year.

3.4 Working Capital Management

Due to lack of efficient debts collection procedure and proper working capital management policy, The Company had borrowed a bank overdraft of Rs.175 million from a commercial bank with a view to mitigate the working capital issues during the preceding year. In addition to that, a sum of Rs. 20.4 million had been paid by the Company as overdraft interest and Rs.446,509 as penalty on interest during the first nine months of the year under review due to continuous delay in settling hypothecation loans.

4 Operating Review

4.1 Performance

The following observations are made.

(a) The Company had published 6 newspapers, 25 periodicals and 03 annual publications during the year under review while 6 newspapers, 22 periodicals and 03 annual publications had been published during the preceding year. The net contribution of the newspapers, periodicals and annual publications had decreased by Rs. 26 million during the year under review. Seven newspapers and periodicals published by the Company had earned a negative contribution continuously for over three years and 16 newspapers and periodicals out of 31 newspapers and periodicals published during the year under review had earned a negative contribution of Rs. 43 million.

(b) Amongst 31 newspapers and periodicals published during the year, all the newspapers had made a favourable contribution to the financial results of the Company. The following observations are made in this regard.

(i) The overall advertisement income of newspapers and periodicals of the Company had increased by Rs. 38 million or 1.6 per cent as compared with the preceding year.

(ii) Overall newspaper sales income of the Company had decreased from Rs. 408.9 million in the preceding year to Rs. 383.1 million or by 6.3 per cent during year under review.

(iii) The total periodical circulation revenue of the Company had decreased from Rs.281.8 million to Rs. 270.7 million or by 4 per cent during the year under review.

(iv) The entire printed copies of all the newspapers and periodicals had been decreased from 36.8 million to 35.5 million or by 3.6 per cent while the printing material cost had been increased from Rs. 968.7 million to Rs. 1,029.7 million or by 6.3 per cent during the year under review. Further, it was observed that printing material cost regard to 04 newspapers and periodicals had been increased considerably even though the printed copies were decreased.

4.2 Management Inefficiencies

The following observations are made.

(a) The Business Lanka AN (Private) Limited which is one of the Subsidiary of the Company had commenced its operational activities during the preceding year, incurred a loss of Rs.5.5 million during the year under review. Out of outstanding debtor balance of Rs.15.7 million as at 31 December 2014, a sum of Rs.5.7 million had been outstanding for more than one year and considered as doubtful debts during the year under review. Although the revenue for the year under review had increased by 6 per cent, the outstanding debtor balances had been increased by 58 per cent due to lack of debts recovering policy.

(b) The Department of Annual Publication had issued its publications to the bookshops on sale or return basis. However, the Company had not taken any actions to recover the amounts due from respective book shops, and no follow up actions had been taken for more than 5 - 10 years in this connection.

(c) In order to minimize significant sales returns prevailed during last few years, the Company had introduced the Return Rates Systems for each Newspapers from time to time. The new amendments to the system had been brought on 01 August 2014. However, overall sales returns had been increased by Rs.13,910,806 during the year under review and this was equivalent to 18 per cent of total circulation revenue of the year under review.

(d) Out of debtor balances as at 31 December 2014, a sum of Rs. 127,072,845 to be receivable from 299 Government Institutions on behalf of advertisements received through the Advertising Agents. This is an increase of Rs.73,627,070 or 137 per cent as compared with the preceding year. Out of the above outstanding balance, a sum of Rs.9,069,409 had been outstanding for more than one year and as such the recoverability of the outstanding is in doubt. However, as a Government Owned Business Enterprise, the Company had not taken necessary steps to follow a proper procedure to attract the Government advertisement directly to the Company.

(e) Due to unavailability of a proper recovering policy, doubtful debts had been increased significantly. Accordingly the provision for doubtful debts had been increased by Rs. 22.5 million or 34 per cent as compared with the preceding year.

(f) The Company had incurred severe losses from Colombo - Jaffna bus service. A sum of Rs.25,921,679 had been incurred as an accumulated loss during the last four years period.

(g) As a usual job, paper reels were sent for cutting before using them for printing activities to an outside Company. Due to unavailability of complete records for the period commencing from 1 January 2014 to 31 August 2014 an estimated loss of Rs.3,829,858 had been incurred due to the difference of weight of goods sent and received.

4.3 Operational Inefficiencies

According to the industry norms, wastage of 5 per cent of gross run is acceptable. However, during the preceding three years period, it had been exceeded the accepted norm in relation to several newspapers and periodicals and as such an additional cost of Rs.19,017,522 had been incurred thereon. During the year under review the Company had to incur an additional cost of Rs.5,580,954 for the exceeded wastage.

4.4 Transactions of Contentious Nature

In addition to the payments of commission to the Advertising Agents ranging from 2.5 per cent to 50 per cent based on their advertisement collections, the incentive payments of Rs. 11,799,436, and Rs.12,491,960 had been made during the year under review and preceding year respectively.

The following observations are also made in this regard.

a) A sum of Rs.2.8 million had been provided for an Advertising Agent as incentive for the preceding year. However, a sum of Rs.3,387,971 or an excess amount of Rs.587,971 had been credited as incentive in the ledger account.

b) According to the Board decision taken on 17 February 2014, it had been decided to provide a sum of Rs.8,176,736 as incentive payment for the year under review for Advertising Agents. However, with the approval of DGM Finance of the Company, an additional amount of Rs.3,623,786 had been provided as incentive for a specific Advertising Agent. Nevertheless, the basis of provision made was questionable in audit as there were other Agents who were eligible for receiving the incentive payments for the year 2012.

c) In terms of Agreement entered with the advertising Agencies in respect of payments of the annual incentive, it had been decided to offer 10 per cent discount on ANCL's current rate card covering all publications. However, discounts ranging from 10 per cent to 33 per cent had been offered based on their advertisement collection.

4.5 Idle and Under Utilized Assets

A land with an extend of 8 acres located at Hokandara, vested to the Lake House Property Development (Pvt) Ltd had remained idle since the year 1985 without being utilized for the intendant purposes.

4.6 Uneconomic Transactions

The following observations are made.

(a) According to the instructions given by the Chairman and Chief Editor of "Denamuthu" magazine, 21,000 copies in 7 educational publications had been printed during the preceding year. However, 13,475 copies valued at Rs. 889,350 had been remained at the stores as at 31 May 2015 due to over estimation of printed copies. Further, out of 6,500 copies distributed to the book shops, 3,918 copies valued at Rs. 258,588 had been returned and these were not physically verified.

(b) Even though a sum of Rs.1.2 million had been invested in Lanka Puwath in 2008, the Company had not received any return thereon up to 30 May 2015.

4.7 Identified Losses

The following observations are made.

(a) Infor Media (Private) Limited, a fully owned Subsidiary discontinued its operations during the year 2012 due to heavy losses incurred and ANCL had settled the outstanding amount of Rs.604,100 payable to creditors during the year under review. As a result, invested capital and additional funds provided amounting to Rs. 6.9 million were lost to the Company.

(b) During the year under review, the Company had resupplied printing materials valued at Rs.30,596,049 on credit basis, to a supplier who supplied the same materials to the Company without obtaining the approval from Board of Directors. However, the Company had to incur Rs.735,807 as interest and penalty in respect to the above material supplied.

(c) The Company had disposed six vehicles for Rs. 5.9 million during the year under review through an auction. Although, the steps had been taken during the year 2012 to dispose four vehicles out of these six vehicles, it was failed to do so. Hence, the Company had lost amounting to Rs.2.5 million due to non-disposing of said 04 vehicles during the year 2012.

(d) The stock of ink valued at Rs.241,974 had been expired and is in unusable condition.

(e) On behalf of the government advertisements collected through the advertising Agents, two invoices had been issued to the client and advertising Agents for two different rates. As a result, the Company had deprived approximately 30 per cent of advertisements revenue since it had not taken necessary steps to attract government advertisements directly to the Company or failed to adhere to the guidelines of Cabinet decision No 08/2253/338/043 dated 24 December 2008.

4.8 Deficiencies in Contract Administration

During the year under review the Company had offered a contract for the construction of Pilgrim rest house at Katharagama. The following observations are made in this regard.

(i) The construction works had not been completed within the agreed period.

(ii) The Company had made the payments based on forged estimates prepared by a consultancy firm appointed and as such the Company had to incur an approximate loss of Rs. 7 million.

(iii) According to the physical verification carried out by audit, it was revealed that the contractor had failed to adhere with the required specifications relating to wood works and concrete works.

(iv) It was also observed that the monitoring of contract works had not been executed properly by consultancy firm during the period of contract in order to maintain the expected quality in contract works.

4.9 Release of Human and Physical Resources to Other Institutions

The following observations are made.

(a) Ten officers including two Assistant Managers and a Senior Assistant Cashier had been released to an external institution during the year under review in contrary to Section 9.4 of the Public Enterprises Circular No. PED/12 of 02 June 2003. The

Company had spent a sum of Rs.6,377,850 as salaries, wages and allowances on behalf of them.

(b) Three hired vehicles of the Company had been released to other State Institutions in contrary to Section 8.3.9 of the Public Enterprises Circular No. PED/12 of 02 June 2003, and the Company had spent a sum of Rs.1,740,000 and Rs.1,488,240 as rent and fuel respectively during the year under review, in respect of these vehicles.

4.10 Personnel Management

The following observations are made.

(a) Even though 228 staff had been recruited exceeding the approved cadre as at 31 December 2014, no proper approval had been obtained for those recruitments.

(b) No proper procedures had been followed for recruitments, promotions and demotions of the employees.

(c) It was observed in audit that salaries had been paid in excess to the employees without being followed the approved salary scales. In some instances salary increments had been given based on the personnel evaluation made by the Chairman and Head of Division.

(d) According to the sample test check carried out by audit, it was observed that recruitment for top management posts had been made without being evaluated the required qualifications and experience for such posts.

(e) No any actions had been taken to recover the financial losses incurred by the Company due to employees who were involved in financial irregularities and frauds.

5. Accountability and Good Governance
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5.1 Corporate Plan

A Corporate Plan for the period of 2013 – 2016 had been prepared by the Company in terms of Chapter 5 of the Public Enterprise Circular No. PED/12 of 02 June 2003. However, the salient features such as available current resources, organizational structure and preceding three year operating result were not included and achievement of corporate objectives, particularly formulating strategy to enter into new Media, implementation of the operational and marketing plan, improving the product quality had not been evaluated by the management during the year under review.

5.2 Annual Action Plan

An Annual Action Plan had been prepared in line with the Corporate Plan. However, the activities planned to be implemented during the year under review such as enhancement of circulation of all newspapers, expanding and modernizing of IT database and network, and becoming the most vibrant publisher of convergent media had not been achieved as targeted.

5.3 Procurement Plan

A detailed Procurement Plan had not been prepared for the year under review as per Section 5.2.2 of Public Enterprises Circular No.PED/12 of 02 June 2003, and without having such a Procurement Plan, capital expenditure amounting to Rs.68.8 million had incurred by the Company during the year under review, to procure the capital items.

5.4 Budgetary Control

The following observations are made.

(a) According to Section 5.2.3 of Public Enterprises Circular No.PED/12 of 02 June 2003, the time target for preparing the budget and the requirement of submission it to the Line Ministry, Department of Public Enterprises, General Treasury and Auditor General had not been followed.

(b) A detailed budget had not been prepared in accordance with the expenditure categories of the Company in order to make effective control over the budget. Considerable variations also had been observed between the budgeted and actual expenditure.

5.5 Unresolved Audit Queries

The following observations are made.

(a) Due considerations had not been paid for the following maters which were emphasized from the audit report issued in the preceding year.

(i) Acquisition of vehicles on rental basis without having the approval of the Board of Directors.

(ii) Acquisition of vehicles without calling tenders and without being entered with agreements.

(iii) No return had been received on investment made at Lake House Property Development Ltd and Info Media (Pvt) Ltd amounting to Rs.7,500,000 and Rs.2,500,000 respectively.

(iv) Revenue recognition of Annual Publication.

(b) The following directives given by the Committee on Public Enterprise at its meeting held on 09 December 2013 had not been followed.

(i) Submission of Annual Procurement Plan to the Auditor General.

(ii) To make proper actions relating to the investment made in Lanka Puwath amounting to Rs. 1.2 million.

6. Systems and Controls

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

(a) Procurements.
(b) Vehicle Utilization.
(c) Debtors Management.
(d) Inventory Control.
(e) Delegation of Authority.
(f) Commercial Printing Works.
(g) Control over Fixed Assets.
(h) Working Capital Management.
(i) Circulation – Return.
(j) Human Resource Management.
(k) Payroll System.