

Sri Lanka Press Council – 2017

The audit of financial statements of the Sri Lanka Press Council for the year ended 31 December 2017 comprising the Statement of Finance Position as at 31 December 2017 and the Statement of Financial Performance, 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 20 of the Sri Lanka Press Council Act No.5 of 1973. My comments and observations which I consider should be published with the Annual Report of the Council in terms of Section 14(2)(C) of the Finance Act appear in this report.

1.2 Managements Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector 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 judgment, including the assessment of the risk 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 Council'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 Council'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 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 for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Sri Lanka Press Council as at 31 December 2017 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Public Sector Accounting Standards

The following observations are made.

(a) Sri Lanka Public Sector Accounting Standards 03

According to the paragraph 47 of the standard, in accounting a sum of Rs.1,528,669 of an unaccounted amortization of government grant related to capital expenditure received to the council from year 2011 to 2014 had been adjusted in order to correct the prior year errors in the statement of changes in equity and the accumulated surplus account as at 31 December 2015. However, the nature of the prior year error, the amount of money to be corrected in line items etc. had not been disclosed in the financial statements as requested by paragraph 54 of the standard.

(b) Sri Lanka Public Sector Accounting Standards 09

According to the paragraph 15 of the standard, the stocks should be recorded at the lower of its cost or net realizable value, such treatment had not been applied to old books valued at Rs.205,213.

2.2.2 lack of Evidence for Audit

The updated inventory register for the stationary stock included in the closing stock amounting to Rs.242,780 and an acquisition register related to library books amounting to Rs.211,913 had not been furnished for audit.

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

Instances of non – compliance with laws, rules, regulations and management decisions are given below.

Reference to Laws, Rules, Regulations and Management Decisions	Non – Compliance
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	

(i) Financial Regulations 102 to 105	Although goods misplaced such as calculators, table knives had been identified in the Annual Board of Survey Report, actions had not been taken as prescribed by the said Financial Regulations during the year under review.
(ii) Financial Regulation 880	Although officers who are entrusted the receipt and custody of public money and who certify vouchers or sign cheques on government accounts are required to keep security in accordance with the Public Officers (Security) Ordinance, securities had not been obtained from two officers in the Council who had engaged in such duties even up to the audited date of 31 May 2018. .

3. Financial Review

3.1 Financial Results

According to the financial statements presented, financial results of the Council for the year under review had resulted in a surplus of Rs.506,418 as compared with the corresponding surplus of Rs.480,595 for the preceding year, thus indicating an improvement in financial results by Rs.25,823 for the year under review as compared with the preceding year. Although other operational expense of the council had been increased by Rs.1,022,884 during the year under review, the increase in government contribution by Rs.1,089,000 had been mainly attributed to above improvement.

In analyzing the financial results for the year under review and the past four years since the year 2013 to the year 2015, a continuous financial deficit had been occurred and in the years of 2016 and 2017, it was a surplus. However, after adjusting employee emoluments and depreciation for non- current assets for the financial result, the contribution for the year 2016 was Rs.12,511,489 and it had been increased up to Rs.12,750,053 or by 2 per cent during the year under review.

4. Operating Review

4.1 Performance

4.1.1 Activities and Review

The following observations are made.

- (a) Even though the Council has powers to find out filthy, discrediting and non- ethical publications in newspapers and to refer wrong doers to the courts in terms of Sections 15 of the Press Council Act, such actions had not been taken by the Council.
- (b) According to Section 25 of the Press Council Act, every newspaper should be registered in the Press Council and the council had authority to frame necessary laws and rules relating to newspapers delivered in the market without being registered in terms of the section 30 of the Act, the Council had not prepared rules in this regard. Though, the Council had estimated the number of newspapers to be registered was 300, the registered number of newspapers in 2016 and 2017 were 230 and 199 respectively. However, the inspections had not been done by Council relating to the newspapers delivered in the market without being registered.
- (c) 49 complaints had received from the public and various entities against newspapers during the year under review and the number of unresolved complaints in 2016 was 52 making the total number of complaints as 101. Out of these, 35 complaints had not been resolved even up to the end of the year under review.16 complaints out of unresolved 35 complaints were had been delayed to resolve since one year to 4 years.
- (d) Following observations are made related to the performances stated in the action plan.
 - (i) According to the action plan which was prepared by the Council for the year under review, the certificate course for journalists to improve language skills included in it had not been conducted.
 - (ii) Observations were made relating to 04 programs in which its targets had not been achieved from 19 per cent to 44 per cent.
 - (iii) Allocations of Rs.2,710,000 had been taken from the General Treasury aiming at conducting 14 workshops for regional journalists and school mass medias and 12 programs had been conducted incurring Rs.2,134,000.

- (iv) Even though the conference for journalists in SAARK regional countries had been included in the action plan for the year under review and even had been planned in 2016 allocating provisions amounting to Rs.2,500,000, it had not been conducted even at the end of the year under review.

4.2 Management Activities

Following observations are made.

- (a) Although an advance of Rs.200,000 had been paid to Department of Mass Media of the University of Kelaniya on 24 November 2015 for a comparative research report on Sri Lanka Press Council and the Press Complaints Commission, the complete research report should have been furnished to the Council within a month of the payment, that report had not been submitted to the Council even by 25 April 2018.
- (b) 2401 number of books on the subject of mass media printed for sale during the year 2013 and prior years valued at Rs.271,758 had been remained in the stock even as at the end of the year under review. It was a usual practice of the Council to issue these books in free due to low rate of sale.
- (c) All government institutes should introduce Citizens'/Clients' Charter to their entities in accordance with the Public Administration Circular No. 05/2008 on 06 February 2008, neither the Council was aware of that nor actions had been taken to implement its provisions.
- (d) The Council had not appointed the information officer and the designated officer who should be appointed within three months period as per the provisions in Paragraph 23 of the Right to Information Act No. 12 of 2016 and Press Commissioner had acted as information officer.

4.3 Transactions in Contentious Nature

Two bank accounts which were opened on 05 of November 1993 and 07 of September 2009 respectively had been maintained by the Council for two fund accounts named as research fund and loan fund and the balances as at the end of the year under review were amounted to Rs.2,540,636 and Rs.1,601,416 respectively. Although the approval had been requested from the Director General of the Department of Public Budget to maintain these fund accounts by letter No. FIN/PEN/168 dated 19 December 2017, that approval had not been received even up to the date of 25 April 2018.

4.4 Staff Administration

Hence 04 vacancies were existed relating to three posts such as assistant press commissioner, administrative officer and peon, there were delays in execution of the powers of the Council and administration of staff, although posts had been approved since 2013.

5. Sustainable Development

5.1 Achievement of Sustainable Development Goals

Every public institution should act in compliance with the United Nations Sustainable Development Agenda for the year 2030 and the Council was aware of the manner in which it should act in order to achieve its targets under the scope for the year under review.

- (a) However, the Council had not taken actions to identify the goals under its scope though it was aware of the Agenda for the year 2030 as above. Therefore, actions had not been taken to identify the targets relating to the activities thereof, along with the milestones in respect of achieving those targets, and the indicators for evaluating the achievements of such targets.
- (b) Further, allocating provisions in the action plan, identifying required physical and human resources, identifying stakeholders who are interested in achieving sustainable development goals and targets had not been done during the year under review.

6. Accountability and Good Governance

6.1 Internal audit

According to the Financial Regulations No.133 and No.134, the internal audit section had not been established and the post of internal auditor had not been included in the approved cadre of the Council.

6.2 Audit committee

At least four meetings of the Audit and Management Committee per one quarter should be held in terms of Paragraph 7.4.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003. However, only two committee meetings had been held during the year under review.

6.3 Budgetary Control

Significant Variances between budgeted and actual revenue from 12 per cent to 98 per cent and between budgeted and actual expenses from 6 per cent to 24 per cent had been observed showing that budget had not been used as an effective instrument of management control.

6.4 Unresolved Audit Paragraphs

Following observations are made.

- (a) Functions such as implementation of internal audit and furnishing report to the Auditor General, conducting regular Audit and Management Committee meetings and appointing officers for the executive posts which had been fallen vacant at the Council as directed by the Committee on Public Enterprises on 24 July 2014 with regard to the Council, had not been fulfilled.

- (b) Even though there had been emphasized by the paragraph 1 of the letter No.CA/1/17/1 of the president secretary office dated 14 May 2010 and direction 7 of the Committee on Public Enterprises on 10 July 2012, that the Council should be done its operations in government building, the Council has been functioning its operations in private buildings which were rented out since 40 years from the commencement. Rs.18,806,500 had been paid for building rented from 2006 up to 2017. The chairman of the Council had reported to the audit that this situation has risen on regression of procure a government building.

6.5 Accomplishment of social responsibilities

According to the Extra Ordinary Gazette Notification No. 162/5 A of 14 October 1981, a system is in existence to investigate the newspapers published daily in accordance with the code of ethics relating to journalists. However, a limited number of investigation reports had been furnished with compared to the newspapers published. Reasonable attention had not been paid by the Board of Directors to take follow up actions with regard to the code of conducts as included even in such investigation reports.

7. Systems and Controls

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

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| (a) | Achieving objectives of the Council | - Actions had not been taken against filthy, discrediting and non- ethical publications in newspapers.
- Actions had not been taken to register Newspapers sale in the market.
- Investigations had not been conducted for daily newspapers. |
| (b) | Staff Administration | - Existing of vacancies in approved posts. |
| (c) | Internal Audit | - An Internal Audit had not been conducted. |