

Sri Lanka Press Council – 2018

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Press Council for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Sri Lanka Press Council as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Council or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Council's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Council is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Council.

1.4 Audit Scope (Auditor's Responsibilities for the Audit of the Financial Statements)

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Council, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Council has complied with applicable written law, or other general or special directions issued by the governing body of the Council;
- Whether the Council has performed according to its powers, functions and duties; and
- Whether the resources of the Council had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards

Non Compliance with the reference to particular Standard	Management Comment	Recommendation
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Although the scrap value and the useful life of an asset should be reviewed at least at the end of each annual reporting period as per the Sri Lanka Public Sector Accounting Standard 07, fully depreciated property plant and equipment at a cost of Rs.2,918,392 had been used by the Council without reviewing its useful life.	Officers have been made aware of relevant property plant and equipment and have been advised to take actions in the future.	The scrap value and the useful life of an asset should be reviewed at least at the end of each annual reporting period.

1.5.2 Accounting Deficiencies

Audit Observation	Management Comment	Recommendation
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Deferred income relating to amortization of government grant for capital expenditure amounting to Rs.292,361 had been understated in accounting.	Relevant officers have been made aware of this and have been advised to do the corrections.	Deferred income relating to amortization of government grant should be accurately accounted.

1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
Financial Regulations of the Democratic Socialist Republic of Sri Lanka ----- (i) F.R. 756	Although Boards of Survey should be appointed on or about the 15 of December each year for the verification of stores, and where necessary, for reporting on unserviceable stores, Boards of Survey had been appointed on 25 of January 2019 and completed reports had not been furnished to audit even up to the audited date of 03 May 2019.	A delay had been occurred in furnishing the report due to leave taken by the members of the Boards of Survey of the Council on unavoidable reasons. It will be furnished in the future.	Boards of Survey should be appointed on or about the 15 of December each year.
(ii) F. R. 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 15 May 2019.	Discussions had been made at the audit committee meetings held at the Council and line ministry relating to the securities and relevant criteria for that. Actions will be taken in the future for required securities accordingly.	Security should be obtained from public officers in accordance with the Public Officers (Security) Ordinance.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.740,009 and the corresponding surplus in the preceding year amounted to Rs.506,418. Therefore an improvement amounting to Rs.233,591 of the financial result was observed. Increase in government grant received by Rs.5,339,802 and increase in course revenue by to Rs.247,000 were the reasons for this improvement.

(a) Value addition of the Council for last five years is shown below.

	2018	2017	2016	2015	2014
	Rs.	Rs.	Rs.	Rs.	Rs.
Surplus/Deficit after Tax	740,009	506,418	480,595	(791,842)	(1,490,967)
<u>Additions</u>					
Salaries	12,338,121	10,739,610	10,606,412	10,496,159	8,515,485
Depreciation	<u>1,896,724</u>	<u>1,504,025</u>	<u>1,424,482</u>	<u>1,430,183</u>	<u>1,427,924</u>
Value addition of the Council	14,234,845	12,750,053	12,511,489	11,134,500	8,452,442
Percentage of increase/decrease with compared to proceeding year	12%	2%	12%	32%	

In analyzing the financial results for the year under review and last four years, a financial deficit was observed in 2014 and 2015 and it was a surplus from 2016 to 2018. After adjusting salaries and depreciation for non-current assets, value addition was Rs.12,750,053 in 2017 and had been increased to Rs.14,234,845 during the year under review by 12 per cent.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
(i) 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.	The Board of Directors will pay more attention on this matter in the future.	Reasonable attention should be paid by the Board of Directors to conduct required assessments relating to investigation reports and following code of ethics.
(ii) Even though emphasis had been made by the paragraph 1 of the No.CA1/17/1 of the letter of the president secretary office dated 14 May 2010 and direction 7 of the Committee on Public Enterprises on 10 July 2012, that the office of the Council should be accompanied in a government building, the Council has been functioning its operations in private buildings which were rented out since 40 years from the commencement. Rs.19,122,400 had been paid for building rented only from 2010 up to 2018. The Chairmen of the Council had reported to the audit that this situation has risen on regression of procure a government building.	Responses had not been received even though necessary actions were taken in several occasions with direct involvement of Line Ministry and the Council. Though supervision was carried out to find out a government building accordingly, finding a building has become a challenge.	Further discussions should be carried out with government institutes.

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| (iii) | Although an advance of Rs.200,000 had been paid to Department of Mass Media of the University of Kelaniya on 24 November 2015 to conduct a study 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 03 May 2019. | Attempts will be made further to obtain the report. | Actions should be taken to obtain the report. |
| (iv) | All government institutes should introduce Citizens'/Clients' Charter to their entities in accordance with the Public Administration Circular No. 2008/05 on 06 February 2008, neither the Council was aware of that nor actions had been taken to implement its provisions. | Actions will be taken in the future. | Citizens'/Clients' Charter should be introduced and implemented. |

3.2 Operational Inefficiencies

Audit Observation	Management Comment	Recommendation
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(i) Only a sum of Rs.4,063,736 or 14 per cent had been spent out of the grant received during the year under review valued at Rs.29,094,802 from the Government for conducting workshops for journalists, printing books, conducting diploma courses and preparing dictionary for journalists etc. which were the objectives and other related activities as per the Section 8 of the Press Council Act.	Provisions had been received less than one million than the requested amount. After paying the expenses such as building rent and salaries, balance had been utilized for the objectives of the Act.	More attention should be paid on Council's objectives and other related activities of it.

- (ii) 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 2017 and 2018 were 199 and 118 respectively. However, the inspections had not been done by the Council relating to the newspapers delivered in the market without being registered.
- Printing newspapers have been reduced due to increase in printing cost. (Although estimated number was 300, newspapers were 75 and others were periodicals)
- Investigations should be carried out by the Council against the newspapers circulated in the market without being registered.

3.3 Transactions of Contentious Nature

Audit Observation -----	Management Comment -----	Recommendation -----
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. Although the approval had been requested from the Director General of the Department of Public Budget to maintain these fund accounts by a letter in 2017, that approval had not been received even up to the date of 03 May 2019. The balances as at the end of the year under review were amounted to Rs.3,397,953 and Rs.1,685,259 respectively.	Several discussions were held with the Secretary of “Ministry of Finance and Mass Media” and it was informed that there is a possibility of giving an approval for the two accounts namely research fund and loan fund. However, on the advices given by the line ministry from time to time, requests have been made relating to this matter by letters dated 2016/05/27, 2016/08/02, 2017/12/19, 2018/05/10, 2018/06/18.	Approval should be obtained.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Management Comment	Recommendation
----- Essay competition to improve thinking and writing abilities of students in schools which was included as an activity in the action plan had not been conducted. Although plans had been made to conduct 50 journalism discussions on improving journalists' interest and provisions of Rs.125,000 had been made, only 7 discussions had been conducted by spending Rs.4,500.	----- Finalization will be made by 2nd quarter in 2019.	----- Attempts should be made to be complied with the action plan.

4.2 Internal Audit

Audit Observation	Management Comment	Recommendation
----- According to the Financial Regulations No.133 and No.134, the internal audit section had not been established in the Council and the post of internal auditor had not been included in the approved carder of the Council.	----- Advices were given by the Audit Committee Meetings held at the Council and at the line ministry to obtain that service from the internal audit section of the Ministry itself hence no approved post in the Council.	----- Assistance from internal audit section of the ministry should be obtained.

4.3 Audit Committee

Audit Observation	Management Comment	Recommendation
----- 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.	----- Agreed.	----- At least once per quarter and four meetings per year should be held.

4.4 Budgetary Control

Audit Observation	Management Comment	Recommendation
Variances had been observed between budgeted and actual revenue from 39 per cent to 132 per cent showing that budget had not been used as an effective instrument of management control.	Actions will be taken to prepare budget accurately in the future.	Budget should be used as an effective instrument of management control.

4.5 Sustainable Development Goals

Audit Issue	Management Comment	Recommendation
Although every public institution should act in compliance with the United Nations Sustainable Development Agenda for the year 2030, the Council had not taken actions to identify the goals under its scope. 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 etc. had not been done during the year under review.	Compliances will be made with regard to this in the future.	Every public institution should act in compliance with the United Nations Sustainable Development Agenda for the year 2030.