

Sri Lanka Press Council – 2019

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Press Council for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 2019, 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
(a) 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.3,010,448 were being further used without reviewing its useful life. Nevertheless, actions had not been taken to rectify those estimated error and to present and disclose fair value of such assets in the financial statements as per S.L. P. S. A. S. No.3.	As a limited number of staff is available in the Council and the Accountant had been hospitalized during the last month of the previous year, this work could not be accomplished and officers have been advised to do it in the next years.	The scrap value and the useful life of an asset should be reviewed at least at the end of each annual reporting period.

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| <p>(b) Although, stocks should be recorded at cost or net realizable value whichever is lower as per the paragraph 15 of the Sri Lanka Public Sector Accounting Standard 09, stocks of books kept for sale at a cost of Rs.639,061 had been shown at cost in financial statements without valuing its net realizable value.</p> | <p>Staff had been made aware of this and been advised to take necessary actions in the future.</p> | <p>Stocks should be valued at cost or net realizable value whichever is lower.</p> |
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1.5.2 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
<p>(a) The cost of 843 books issued in free basis amounting to Rs.333,107 had been shown as the expenses of mass media workshop instead of accounting as donations.</p>	<p>Relevant officers have been made aware of this and have been advised to take necessary actions in the future.</p>	<p>As issued in free, it should be recorded as donations.</p>
<p>(b) Depreciation for property plant and equipment had been understated in accounting by Rs.104,895 and thus, the excess for the year under review had been overstated by that amount.</p>	<p>Relevant officers have been made aware of this and have been advised to take necessary actions in the future.</p>	<p>Depreciation for the period should be accounted accurately.</p>
<p>(c) Outstanding newspaper registration fee of Rs.105,000 had not been recorded as receivables in the accounts.</p>	<p>Relevant officers have been made aware of this and have been advised to take necessary actions in the future.</p>	<p>Outstanding revenue should be accounted on accrual basis.</p>

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

Reference to Laws, Rules, Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Paragraph 7.4.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003.	Although, the Audit and Management Committee should be held at least once per quarter and 04 meetings per year, only two committee meetings had been held during the year under review.	Hence the accountant had not been appointed permanently during the first and third quarter of 2019 in the Council, Audit and Management Committee Meetings could not be held. However, two meetings had been held during the subsequent two quarters.	At least one per quarter and 04 meetings per year should be held.
(b) Letter of the Department of Management Services No. DMS/E4/37/4/238/2 of 30 November 2011	Although, allowances for the staff of the Council who performed duties on holidays and after normal duty hours had been approved, Rs.77,927 for meals and accommodations had been paid for two executive officers relating to 5 programs except for the allowances.	Due to the practical problems that the officers come across sometimes at rural areas where such programs are conducted, approved daily allowance is not sufficient. Hence, a request has already been submitted to the Department of Management Services relating to this.	Allowances should be obtained under the prevailing directions.

2. Financial Review

2.1 Financial Result

- (a) The operating result of the year under review amounted to a surplus of Rs.1,487,617 and the corresponding surplus in the preceding year amounted to Rs.740,009. Therefore, an improvement of Rs.747,608 of the financial result was observed. Increase in government grant received by Rs.1,504,199 and increase in other revenue by Rs.879,708 were the main reasons for this improvement.
- (b) In analyzing the financial results for the year under review and last four years, a financial deficit had ben occurred in 2015 and it was a surplus from year 2016 to year 2019. After adjusting salaries and depreciation for non- current assets, value addition in the year 2018 was Rs.14,974,854 and had been increased to Rs.18,210,648 during the year under review by 22 per cent.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
(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 to conduct a research and submit a report on a comparative study of Sri Lanka Press Council and the Press Complaints Commission, that report had not been submitted to the Council even by 30 May 2020, whereas the complete research report should have been furnished within a month of the payment.	Discussions had been held in detail at the audit and management committee meetings and Board of Directors' meetings as well relating to this and it was informed in several occasions verbally and in writing to submit the report immediately.	Actions should be taken to obtain the report.
(b) Out of the books printed prior to the year 2013 and during the year under review relating to the subject of mass media, 2303 books at a cost of Rs.639,061 had been remained in stock even as at the end of the year. In accordance with the decision taken by the Council to issue most of the books in free basis due to poor sale, 843 of books had been issued in free during the year 2019.	It is difficult to sell those books hence most of the remaining books out of the collection are old currently. As per the Ministry advices, though these books were issued in free at work shops, it could not be continued due to policy matters.	When books are printed, it should be carried out considering the necessity.
(c) Even though, emphasis has been made 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 to accompany the office of the Council in a government building, the Council has been	Even though, necessary actions were taken in several occasions through the line Ministry and with direct involvement of the Council, responses had not been received. 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 in order to find out a suitable building.

functioning its operations in private buildings which were rented out since 20 years from the commencement and Rs.22,448,800 had been paid for building rent from 2010 up to 2019.

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| <p>(d) Although, a system is in existence to investigate the newspapers published daily in accordance with the code of ethics published in the Extra Ordinary Gazette Notification No. 162/5 A of 14 October 1981 relating to journalists, 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.</p> | <p>Actions have already been taken to submit monthly reports of relevant newspapers to top management and to inform the editors about the observations of the newspapers which violates press council act and the code of ethics.</p> | <p>Reasonable attention should be paid by the Board of Directors to conduct required assessments relating to investigation reports and following code of ethics.</p> |
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3.2 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
<p>(a) 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 250, the</p>	<p>It is agreed that registering lesser value than the estimated value. However, actions will be taken to send the investigation officers of the Council to sale outlets in order to update the registrations required in the future. Hence, steps to be taken for none registration with regulations (general) of the Press Council had not been stated in detail, actions will be taken to prepare relevant rules in the future.</p>	<p>Investigations should be carried out by the Council against the newspapers circulated in the market without being registered.</p>

registered number of newspapers in 2019 was 180. However, the inspections had not been done by Council relating to the newspapers delivered in the market without being registered.

- (b) There were 79 complaints received from general public and different institutes against newspapers during the year under review and with that of the unresolved 38 complaints which were received in the year 2018, the total complaints to be solved were 117. Out of that, 60 complaints had not been resolved during the year under review and out of unresolved 60 complaints, 21 complaints were in delay in resolving from 01 year to 06 years. Orders had been issued for 02 complaints and settlements had been made for 32 complaints during the year under review.
- As soon as a complaint is received, inquiries are summoned within a week. After another two weeks, inquiries will be commenced as per the regulations.
- Actions should be taken immediately for newspaper complaints.

3.3 Transactions of Contentious Nature

Audit Issue	Management Comment	Recommendation
<p>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 balance as at the end of the year under review were amounted to Rs.3,696,320 and Rs.1,974,390 respectively. Although, the approval had been requested from the Director General of the Department of Public Budget</p>	<p>Several discussions were held with the Secretary of Ministry of Finance and Mass Media and it was informed by the Secretary that there is a possibility of giving an approval for the two accounts namely research fund and loan fund.</p>	<p>Proper approval should be obtained to maintain fund accounts.</p>

to maintain these fund accounts by the letter of the Chairman of the Council No. FIN/PEN/168 of 19 December 2017, that approval had not been received even up to the date of 09 June 2020.

3.4 Human Resource Management

Audit Issue	Management Comment	Recommendation
The position of the post of assistant press commissioner was vacant even as at 31 December 2019 although the post had been approved since the year 2013.	Actions will be taken to recruit a new officer immediately.	Actions should be taken to recruit a new officer.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Issue	Management Comment	Recommendation
Council had failed to conduct 04 programs included in the action plan and only 20 discussions had been held spending Rs.20,000, even though 50 media discussions had been planned to conduct spending Rs.200,000.	With ester attack, planned programs could not be held during the months of April, May and June depending on the security condition prevailed in the country.	Attempts should be made to be complied with the action plan.

4.2 Internal Audit

Audit Issue	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.	A request has been made to Department of Management Services through the line Ministry in order to approve a post of internal auditor.	Actions should be taken to conduct an internal audit as per the provisions of financial regulations.

4.3 Budgetary Control

Audit Issue	Management Comment	Recommendation
----- Variances had been observed between budgeted and actual revenue from 38 per cent to 117 per cent and between budgeted and actual expenses from 16 per cent to 61 per cent showing that budget had not been used as an effective instrument of management control.	----- Most of the time, attempts have been made to work according to the budget and instructions have been given to officers to use the budget as an effective tool for management control minimizing this type of variations.	----- Budget should be used as an effective instrument of management control.