

## **Associated Newspapers of Ceylon Limited and its subsidiaries -2020**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Associated Newspapers of Ceylon Limited (“Company”) and the consolidated financial statement of the company and its subsidiaries (“Group”) for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of comprehensive income, 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. 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 Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards for Small and Medium- Sized Entities (SLFRS for SMEs).

#### **1.2 Basis for Qualified Opinion**

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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**

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Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards for Small and Medium- Sized Entities (SLFRS for SMEs), 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 Company’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 Company or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Company 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 Company.

#### **1.4 Audit Scope**

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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 scepticism 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 Company'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 Company'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 the Company 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 Company, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Company has complied with applicable written law, or other general or special directions issued by the governing body of the Company;
- Whether the Company has performed according to its powers, functions and duties; and
- Whether the resources of the Company had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## 1.5 Audit Observations on the preparation of Financial Statements

### 1.5.1 Non-Compliance with Sri Lanka Accounting Standards for Small and Medium-Sized Entities (SLFRS for SMEs)

Non Compliance with the reference to particular Standard	Management Comment	Recommendation
(a) Operational deposits received from newspaper agencies, regular advertisers, street sellers etc. and investing deposits received for rent income amounting to Rs.4,162,000 and Rs.452,700 respectively, had been recorded as cash flow from financing activities contrary to Section 7.4 of the Standard.	Noted. Actions will be taken to rectify this in year 2021.	Cash flow should be prepared in compliance with the standard.
(b) Two categories of inventory items amounting to Rs.2,056,967 which were included in the balance sheet were not physically available in the stock.	Two categories of stock items were not physically available in the stock.	Physically unavailable stock cannot be mentioned in the detailed balance sheet.
(c) Fully depreciated property, plant and equipment at a cost of Rs.1,456,422,118 are being	Company had planned to review the useful economic life time of the Property,	Useful life of the fully depreciated property, plant and equipment should be

<p>continuously utilized by the Company without reviewing the useful economic life time of such assets in terms of Section 17.19 of the Standard.</p>	<p>Plant and Equipment during the year 2020. However, as a result of prevailing covid 19 situation in the country this will be done in coming years, the process will be initiated within the course of this year.</p>	<p>reviewed and accounted as per the standard.</p>
<p>(d) A brief description of the nature of the obligation, the expected amount and timing of any resulting payments, the indication of the uncertainties about the amount or timing of those outflows and any expected reimbursement etc. had not been disclosed with regard to 29 legal cases pending against the Company in terms of Section 21.14 (b) (c) and (d) of SLFRS for SMEs.</p>	<p>Noted. However, due to the nature and amount of the obligations the Company is unable to disclose the facts about the pending legal cases in our Financial Statements. There are 31 cases pending against the Company awaiting adjudication. Details of the provisions are disclosed in note 19 to the Financial Statements and the all the details have been provided to audit for perusal.</p>	<p>The obligation, the expected amount and the timing of any resulting payments should be disclosed as prescribed by the standard.</p>
<p>(e) The company makes a provision of 0.4 present on the value of claims with reference to the legal cases filed against the company. However, the company had not reviewed the provisions at each reporting date and adjust them to reflect the current best estimate of the amount that would be required to settle the obligations as the reporting date as required by section 21.11 of SLFRS for SMEs.</p>	<p>Best estimate measured and applied in providing for the legal cases.</p>	<p>As per the section 21.11 of SLFRS for SMEs requests, an entity shall review provisions at each reporting date and adjust them to reflect the current best estimate of the amount that would be required to settle the obligation as the reporting date.</p>
<p>(f) Though the court had given decision to pay a sum of Rs.3,000,000 and Rs.10,000,000 as damages for two legal cases filled by two outside parties, the company had not recognized this liability amount in fully in the financial statements.</p>	<p>Best estimate measured and applied in providing for the legal cases.</p>	<p>As the court has given decision to pay Rs.3,000,000 and Rs.10,000,000 the provision should be recognized in fully.</p>
<p>(g) As per the section 21.15 of SLFRS for SMEs the company had not</p>	<p>Noted. The system was not fully implemented in 2020</p>	<p>Disclosures should be made as per the standard.</p>

disclosed the contingent liability and will be completed by amounting to Rs.1,300,000 which year 2021. Accordingly total arises from the balance payment of cost will be recognized in automated procurement management year 2021. system.

## 1.5.2 Unreconciled Control Accounts or Records

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
A different of Rs. 4,841,848 had been observed between the physical stock balance as at the end of the year under review.	Noted.	Prior to preparation of the financial statements, unidentified differences should be reconciled and adjusted.

## 1.6 Accounts Receivable and Payable

### 1.6.1 Receivables

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a) The value of trade debtors as at 31 December 2020 was Rs.828,071,121. Although confirmations had been sent to 732 debtors valued at Rs.662,071,986 only 68 debtors valued at Rs.42,734,272 or 06 per cent out of 732 debtors had responded as at 22 April 2020 and out of 68 debtors responded, only 22 debtors valued at Rs.14,623,502 had agreed with the balance of the Company. Meanwhile, trade debtors aggregating Rs.141,307,398 had remained outstanding for more than one year and out of that, an amount of Rs.33,220,477 or 24 per cent had been referred to the legal section considering as unrecoverable.	ANCL sent confirmation letters to debtors above Rs.200,000/- as agreed by the Auditor General's Department. However, only a few debtors responded and this position is beyond our control. Even though, there were no responses (agreed or disagreed) to the confirmation letters sent, most of the outstanding balances as at 31 <sup>st</sup> December 2020 have been settled as at 6 <sup>th</sup> May 2021.  A sum of Rs.141,307,398/-, showing under trade debtors which are outstanding for more than one year have been provided for provision for bad debts.  A sum of Rs.33,220,477/-, which is shown under courts ledger represent the legal	<ul style="list-style-type: none"> <li>• Confirmations should be obtained from debtors in order to tally the ledger.</li> <li>• Necessary actions should be taken to recover the outstanding balances.</li> </ul>

actions filed against the clients to recover outstanding debts.

- (b) An amount of Rs.6,881,484 was outstanding for 01 to 20 years as staff receivables from employees of the Company who had already been left due to retirement, termination of service or death.

This balance represents the receivables from employees already left due to retirement, termination of service of death or death. Company can't deduct these receivables from final gratuity since gratuity act does not provide the provisions for such deductions. Further, as per the provident fund provisions 25% from the fund balance need to be released mandatorily. Accordingly, no further deductions can be made for the staff balances receivable.

At the time of loan issued recoverability with their age, repayment and capacities should also be evaluated.

However, company has taken following steps to recover the above staff receivables.

- Send reminders requesting to settle the balance to be recovered from the employees left
- Actions have already taken to recover the unsettle distress loan balances from respective guarantors.

- (c) The Company had allowed Government Ministries, Departments, Corporations and general public to subscribe for Company's publications. However, the outstanding balance appeared in the subscription account as at 31 December 2020 amounting to Rs.14,899,522. Out of that, an amount of Rs.2,171,715 had remained outstanding since year 2011 to 2020 and no action had been taken to recover this amount even as at the end of

Majority portion of the subscription base is related to the Government sector. Earlier the credit facilities were granted both to the private and government sector subscribers however, as a result of streamlining the offer of credit facilities, private sector subscribers were discontinued. One year credit facility offered to Government subscribers also restricted to three months or six months. Subscription

When newspapers are delivered on subscription, recoveries should also be monitored.

year under review.

collection process was restricted due to Covid - 19 pandemic situation in the country as recoveries had become a difficult task due to Covid – 19 guidelines issued to Government sector. Even with these obstacles special arrangements have been made to expedite the collection process.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
The Public Enterprises Circular No. PED/12 of 02 June 2003	(i) Section 9.3.1 The Company had not obtained the approval of the Board and the concurrence of the Department of Public Enterprise for its Scheme of Recruitments and Promotions.	Department of Public Enterprises operates under the purviews of Ministry of Finance. According to the published list of Department of Public Enterprises, ANCL does not come under the supervision of said department. Hence, stipulated circulars are not applicable to ANCL.	If the company wants to deviate from Public Enterprises Circulars, a direction should be obtained.
(ii) Section 9.4	Contrary to the section, seventeen officers including nine journalists, four editors, assistant manager, photographer, senior executive and cashier	On request made by President Office, Prime Minister Office and the Ministry of Mass Media to get the services of some of our employees, the Management has	If the company wants to deviate from Public Enterprises Circulars, a direction should be obtained.

had been released for government institutions during the year under review and the Company had incurred a sum of Rs.5,476,800 as their salaries, wages and allowances. Although nine journalists and four editors released, twenty six journalists and twenty three editors had been newly recruited on contract basis during the year under review.

approved to release them with pay.

(iii) Section 7.4.1

Even though, Audit and Management Committee should meet on a regular basis at least once in three months, no committee meetings had been held during the year under review.

Noted.

Audit and management committee meetings should be conducted in accordance with the PED circular.

(v) Section No. 5.2.5

Budget approved by the board should be forwarded to the line Ministry, the Department of public enterprises, General Treasury and Auditor General not later than 15 days before the commencement of the ensuring year. However, the company had not complied with the requirement.

As a practice, a copy of approved annual procurement plan is submitted only to the Ministry of Mass Media. A copy of the annual budget (Income & Expenditure Budget and the Capex Budget) submitted to the Auditor General along with the submission of Financial Statements.

Final updated budget approved by the board should be forwarded to the line Ministry, the Department of Public Enterprises, General Treasury and Auditor General not later than 15 days before the commencement of the ensuring year, as per the PED Circular.



## 2. Financial Review

### 2.1 Financial Result

The operating result of the year under review amounted to a loss of Rs.217,840,000 and the corresponding loss in the preceding year amounted to Rs.216,105,000. Therefore a deterioration amounting to Rs.1,735,000 of the financial result was observed. The increase in administrative expenses and finance expenses were the main reasons for the deterioration during the year under review.

In analyzing the financial results of the Company for last four years and the year under review, the value addition had been fluctuated from 2016 to 2020. However, after taking into account the employee salaries and depreciation charged for the years (before dividend and fair value adjustment), the value addition for the years 2019 and 2020 was Rs.1,456,099,000 and Rs.1,061,269,000 respectively thus showing 27 per cent decrease in the year 2020 as compared with the positive of 7 per cent in year 2019. Details are shown below.

	Value in Rs. '000				
	2020	2019	2018	2017	2016
Profit after Tax (before dividend & fair value adjustment)	(196,155)	(189,856)	(152,897)	180,015	32,239
Salaries	1,187,819	1,552,385	1,420,009	1,288,996	1,331,922
VRS Cost	-	-	-	-	163,513
Depreciation	69,605	93,570	88,825	89,401	83,344
<b>Total Contribution</b>	<b>1,061,269</b>	<b>1,456,099</b>	<b>1,355,937</b>	<b>1,558,412</b>	<b>1,611,018</b>
Percentage increase / decrease with compared to preceding year	(27)%	7%	(13)%	(3)%	11%

### 2.2 Ratio Analysis

According to the financial statements presented, some important accounting ratios of the Company are given below.

	2020 Percentage	2019 Percentage
Gross Profit Margin	51.75	47.02
Profit mark up (Gross profit on cost of sales)	107.28	88.75
Administration Cost on Turnover	51.88	44.89
Selling and Distribution Cost on Turnover	16.25	12.28
Finance Cost on Turnover	3.49	3.47

Current Ratio	1.70	1.51
Acid Test Ratio	1.25	1.03
Return on Capital Employed	(28)	(23)

The gross profit margin and the profit mark-up of the Company for the year under review, as compared with the preceding year had increased by 4.73 per cent and 18.53 percent respectively. Administrative cost on turnover had increased by 6.99 per cent with compared to the preceding year. Return on capital employed was a negative of 28 per cent.

### 3. Operational Review

#### 3.1 Management Inefficiencies

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a) There were 263 dishonoured cheques valued at Rs. 26,800,895 as at 31 December 2020. Out of that, 60 cheques valued at Rs.2,155,046 and 10 cheques valued at Rs.216,802 had been remained outstanding for more than 5 years and 3 years respectively.	The schedule provided to audit shows the dishonored list of Advertising Revenue Ledger (ARL), Regular Customer Ledger (RCL) and news agencies. The list shows the following details of the dishonored cheques. <ul style="list-style-type: none"> <li>▪ Cheque Return Date</li> <li>▪ Client</li> <li>▪ Cheque No.</li> <li>▪ Cheque Amount</li> </ul> Current situation of the return cheque.	Prevailing system should be carefully monitored.
(b) Although the Company had paid an amount of Rs.1,200,000 as an interim payment to purchase 1200 shares of Lanka Puvath Ltd – National News Agencies of Sri Lanka in December 2008, no return had been received even as at 31 December 2020. Further, a sum of Rs.2,194,637 paid as salaries and wages for three employees relating to Lanka Puvath Ltd in 2017 had been shown as receivable	Noted. Based on the Board Decision LKPB 202.17, ANCL had invested in 1200 shares of Lanka Puvath (Pvt) Ltd. Two employees have already been resigned and one employee has been joined to ANCL cadre in year 2018. This entity has been gazette under Ministry of Media in latest gazette notification (10 <sup>th</sup> August 2020).	Investments should be made to generate a return.

even as at 31 December 2020.

- (c) The actions against eight debtors amounting to Rs.7,673,033 which were outstanding for more than 720 days could not be taken by the Company due to misplace of relevant supporting documents with regard to transactions made with them. Noted. Actions have not been taken due to lack of supporting documents with relevant departments and steps have been taken to rectify and avoid the same to happen in future. Responsibilities should be established over the custody of documents.
- (d) Although the “Code of Ethics for Journalists” had been published in Extraordinary Gazette of the Democratic Socialist Republic of Sri Lanka No.162/5 of 14 October 1981, 15 defamation cases had been filed against the Company by outsiders as at 31 December 2019. For one defamation case out of 15 cases filed against the Company relating to an article appeared in “Silumina”, on 18 November 2007, a weekend newspaper, the plaintiff had claimed Rs.500 million from the Company. When this case was summoned in year 2010 at the District Court, Colombo, the defendants and the Company’s Attorney –at –Law who represented the Company had not appeared at the relevant room of the court. Hence, the Court had decided to give the judgment in favor of the Plaintiff. Although, Company had filed petitions against this verdict at the On perusal of the proceedings of the said case in the District Court of Colombo, it has been fixed for ex-parte trial as the attorney for the defendant has been in the District Court No.1 on 20<sup>th</sup> October 2010 whereas the case has been called in District Court No. 3. The company should take actions to minimize the defamation cases against the company.
- As there was no appearance for the defendant, it has been fixed for the ex-parte trial against the defendant (ANCL). This case was due to come up on 20<sup>th</sup> October 2010 for the trial. By that time a motion had been filed on 30<sup>th</sup> September 2010 by the plaintiff’s registered Attorney-at-Law stating that the plaintiff could not be appeared on 20<sup>th</sup> October 2010 as he has travelled abroad. Therefore, anyway, there was no possibility to take up the matter for trial on the said particular day. However, the case had come up in the District Court No 3 and without mentioning to the courts, that a motion had been filed stating the inability of the plaintiff to appear in Courts, the

District Court and Civil Appeal High Court, Colombo, both appeals had been refused.

Subsequently, Company had decided to make an appeal from the Supreme Court and the Board of Directors by their decision number F104.19 on 30 August 2019 had decided to select a Senior President Counsel and his assistants to present for this case on behalf of the Company. Accordingly, full amount as their legal fee amounting to Rs.18,230,000 had been paid on 09 October 2019 and the selection of Counsel had been forwarded to the Board by the same Attorney-at -Law who presented to a wrong court room for this case. Further, this Attorney-at -Law had retired on 08 April 2020 and then had been reappointed on 15 May 2020 on contract basis. No any disciplinary action had been taken against the officer up to now.

registered attorney of the plaintiff has taken undue advantage of the absence of registered Attorney for the defendant has got the case fixed for ex-parte trial.

An appeal has been made to the Civil Appellate High Court to set aside the said order of refusal to vacate the ex parte decree. But the said appeal too has been dismissed by the Civil Appellate High Court. This case is presently pending in the Supreme Court seeking the reliefs aforementioned.

As there is no finality reached in this case and until the conclusion of the proceedings of the Supreme Court case the ex parte decree entered in the District Court is unenforceable. Therefore, I am unable to conclude that Company's Attorney-At-Law is professionally negligent to hold a disciplinary inquiry by ANCL.

With regard to extension of her service for a further period of 6 months on a contract basis with effect from 15<sup>th</sup> May 2020 to 14<sup>th</sup> November 2020, the Board was compelled to grant the said extension due to prevailed situation after the spread of Covid 19 since 11<sup>th</sup> March 2020 as she is the only officer who was familiar with all the relevant documents and it would cause grave inconvenience to the management as well as the Board of Directors if the Company discontinued her services without an extension for a shorter period. However, after the expiry

of said extension, no further extension was granted to her. Subsequently, a new appointment has been made effective from 15.11.2020 as her replacement.

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|-----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|-------------------------------------------------------|
| (e) | Lake House Property Development (Pvt) Ltd, which was established in 1985 to engage in property development business, had not generated any cash flow from operating activities even up to end of the year under review. | Noted. | A decision should be taken on non-operating entities. |
|-----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|-------------------------------------------------------|

### 3.2 Operational Inefficiencies

**Audit Issue**

**Management Comment**

**Recommendation**

- |     |                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                          |                                                                                    |
|-----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| (a) | Although, the Company has three machines to print its publications, two machines called Goss Urban Liner and Harris had been used since 1993 and 1979 respectively and the technical conditions were deteriorated. However, Company was not in a position to invest in new machineries as no major investments had been made. | Noted. Company is planning to purchase a new web press with the assistance of the Ministry of Mass Media and Ministry of Finance.                        | A proper action should be taken to manage the technical condition of the machines. |
| (b) | Spoils of two newspapers named as “Resa” and “Thinakaran” had been increased up to 10 per cent and 12 per cent respectively in 2020. Similarly, three periodicals named as “Sarasaviya” “Arogya”, and “VannaVaanaivil” had also shown an increase in spoils by 12 per cent, 14 per cent and 15 per cent respectively.         | Web offset presses are designed to print lager print orders. When the print orders are getting less, the spoil percentage is getting high automatically. | Company should identify the possible way of reducing spoils.                       |

- (c) There were 69 un-presented cheques over 3 months amounting to Rs.43,546,959 and 277 cheques amounting to Rs.4,938,221 of direct remittance more than 3 months in current account as at the end of the year under review without being examine.
- All the details have been requested from Bank of Ceylon regarding the 18 cheques amounting to Rs.590,807 of unrealized deposits over 3 months to 9 months. Company got the respective information from Bank of Ceylon recently due to the prevailing situation of the country. As per the information received from the bank Company has cleared the unrealized deposit list as at the end of May 2021. Out of total un-presented cheque of Rs.43.5 Million, Rs.41 Million cheques have been issued to The Associated Newspapers Provident Fund. Company has revalidated and issued as at the date of this reply.
- The company should introduce a proper internal system to handle deposited and issued cheques.
- (d) As a practice, the Company had continuously issued free copies of publications to management, certain categories of executive employees, President, Prime Minister, Media Minister, Secretaries of Ministries, Ex- Management Members, employees with over 20 years of service and employees who completed 25 years of service and retired. Accordingly, 1,005,525 copies from main seven newspapers and 78,285 copies from 14 periodicals had been issued in free during the year under review. The highest free copies out of printed copies had been issued from “Dinamina” representing 16 per cent from printed copies. The cost involved with these free copies was amounted to Rs.66,234,169.
- The management has concerned the factor of sending the free copies to different categories. Recently, we have reviewed the process of sending free copies for corporate sector and stopped them in order to minimize the cost. Further, arrangements were taken to stop all the free copies which issue to correspondents recently. As well as management policy is to offer free copies to the employees who retired on service completing 20 years and 25 years.
- The parties who receive free copies should be periodically updated and should try to reduce.

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|-----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|
| (e) | Overall returned copies from 7 newspapers and 14 periodicals were amounted to 3,003,922 during the year under review and the highest returned was recorded from “Dinamina” which representing 21 per cent of return from the production. | It is important to consider the COVID – 19 pandemic situation when comparing the sales figure of year 2019 vs year 2020. The whole country was lock down middle of March, April and October 2020. Circulation revenue has dropped by 30% mainly due to the uncontrollable pandemic situation in the country. However as a team we are battling with COVID – 19 pandemic situations to increase our sales. | Measures should be taken to reduce returned copies. |
|-----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|

### 3.3 Idle or underutilized Property, Plant and Equipment

Audit Issue	Management Comment	Recommendation
(a) A land with an extent of 8 acres located at Hokandara purchased for constructing a housing scheme had remained idle since the year 1985.	Noted. Ownership of the Hokandara Land transferred from Lake House Property Development Pvt Ltd to ANCL in year 2013 and mortgage to Commercial Bank for obtaining loan for VRS in year 2016 and working capital.	The company should utilize this asset to generate a return.

### 3.4 Human Resources Management

Audit Issue	Management Comment	Recommendation
(a) The board approval had not been obtained for the cadre prepared on 06 June 2017 even up to the date of 26 March 2021. As per that cadre, the numbers of staff for the general and editorial departments were 658 and 327 respectively aggregating the total number of staff to 985. However, general and editorial actual staff was 964	The Company had prepared a cadre on 6 <sup>th</sup> June 2017 instead of the cadre which was prepared on 01st July 2012. According to the cadre position of 6 <sup>th</sup> June 2017 the approved number of staff for the General Administration and Editorial Administration was 658 and 327 respectively. This cadre position was prepared based on the strategic plan that is being developed for Lake House and	The board approval should be taken.

and 483 respectively aggregating to 1447. Therefore, the excess staff was 462 and out of them, 434 employees were on contract basis as at 31 December 2020. The staff cost as a percentage from revenue was stood at 62 per cent and 53 per cent respectively during the year under review and the preceding year.

taken in to consideration the efficiencies that will arise from the automation and system that are planned or are in progress (ERP, Sales, IT System, Network upgrades, HRIS Systems, etc.) With the introduction of new publications and to maintain the higher standards in English Newspapers, new appointments had to be made to the organization on contract basis thereafter. As at 17<sup>th</sup> May 2021, there are 921 permanent employees and 435 contract employees. With the co-ordination of Ministry of Mass Media an approved cadre is arranging at present.

- (b) Although seven policies such as talent acquisition, promotion, leave policy, performance management etc. had been prepared in 2017 by paying Rs.2,250,000 to a consultant and used by the Company, the Board approval had been received only for the performance management policy as at 31 December 2020.
- Seven Policies were prepared with the consultation of a consultant. Out of them Performance Management Policy was approved by the Board. Other policies have been submitted to the Board for approval.
- The board approval should be obtained for all the policies.