

Sri Lanka Press Council - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Press Council for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 Board as at 31 December 2020 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 Board'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 Board or to cease operations, or has no realistic alternative but to do so.

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

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

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 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 Board, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Board has complied with applicable written law, or other general or special directions issued by the governing body of the Board;
- Whether the Board has performed according to its powers, functions and duties; and
- Whether the resources of the Board 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 Lanka Public Sector Accounting Standards

Non Compliance with the reference to particular Standard	Management Comment	Recommendation
(a) In accordance with paragraph 49 of Sri Lanka Public Sector Accounting Standards 07, When revaluating the property, plant and equipment item, the property, plant and equipment class to which the property belongs should be fully revalued, but in the furniture & fixtures class, office & welfare equipment class and library booksclass, items costing to Rs.6,957,152 were not revaluated.	Officers will be instructed to adhere to those standards in the future.	When revaluating a property, plant and equipment item, the property, plant and equipment class to which the asset belongs must be fully revaluated.
(b) As per paragraph 90 of Sri Lanka Public Sector Accounting Standards 07, adequate financial disclosures were not made in the financial statements regarding the procedure followed by the firm when the revaluation of property, plant and equipment costing to Rs.3,727,380	Officers will be instructed to adhere to those standards in the future.	Adequate disclosures should be made in the financial statements regarding the procedure followed by the firm when the revaluation of property, plant and equipment.

1.5.2 Inappropriate Valuation or Estimation

Audit Issue	Management Comment	Recommendation
The board had used a five-member committee to revalue the property, plant and equipment and when auditing, it could not be satisfied regarding the knowledge and qualifications of the members of the committee on the valuation.	The Sri Lanka Press Council has a very limited staff, about one-third of which are primary grade employees. Accordingly, the most suitable persons were selected from the number of employees and the assets were revaluated.	Property, plant and equipment revaluation should be done by a qualified committee.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) Procurement Guidelines of the Democratic Socialist Republic of Sri Lanka 5.4.10	Although the Board had entered into an agreement with a private company amounting to Rs.1,830,000 to conduct a subscriber survey on current communication trends and public rights, it was not taken a performance bond not less than 10 percent of the contract value.	Although it is obtained bid security and performance bond in construction contracts, goods contracts, etc., the Board decided to work in accordance with the Agreements as it is a difficult task to obtain such protection from the service providers due to the nature of the service obtained by the Board. Accordingly, the agreement was prepared in such a way as not to prejudice the Board and it was added in the agreement that 40 percent of the total value should be paid after submitting the final report to the Board. Accordingly, the services were obtained in accordance with this	Must act in accordance with the provisions of the Financial Regulations.

agreement and it was possible to obtain an optimal service up to the final report.

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| (b) Section 18 of the Press Council Act | Although the fines were to be credited to the Consolidated Fund under that section, Rs. 59,100 charged as late registration fees for newspapers during the year under review had not been credited to the Consolidated Fund. | From the inception of the Board, the Board's Revenue was credited to Board fund account and the money received from the Treasury and other revenue were also credited to this account. However, officials were instructed to credit the revenue collected as fines in the future to the Consolidated Fund. | Fines should be credited to the Consolidated Fund. |
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1.7 Cash Management

Audit Issue

The Board maintains two bank accounts for the Research Fund and the Loan Fund established on November 05, 1993 and September 07, 2009 and the balance at the end of the year under review was Rs. 3,838, 805 and Rs. 1,511,031 respectively. Letters No. FIN / PEN / 168 and the Chairman of the Board dated 19 December 2017 had sought the approval of the Director General of the Department of Public Budget to maintain these fund accounts, but the approval had not been received by 10 March 2021.

Management Comment

In line with the requests made by the Board from time to time, a proposal has been submitted by the Line Ministry for the Loan Fund on 21.01.2020 and this was also discussed in the Audit Management Committee. In the future, the relevant approvals will be obtained by further implementing the resolution.

Recommendation

Action must be taken to obtain formal approval to maintain fund accounts.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.3,973,060 and the corresponding surplus in the preceding year amounted to Rs.1,487,617. Therefore, an improvement amounting to Rs.2,485,443 of the financial result was observed. The reasons for the improvement are the not conducting of regional communication workshops and reductions in foreign travel expenses.

2.2 Trend Analysis of major Income and Expenditure items

Analyzing the financial results for the year under review and the last 04 years, there was a financial surplus from 2016 onwards. After adjusting for depreciation on employee payroll and non-current assets, the contribution increased by 21 percent from Rs.18,210,648 in 2019 to Rs.21,977,311 in the year under review.

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 10 March 2021.	This was also discussed at the Audit Management Committee meeting and it was suggested that the relevant research be completed after obtaining the report on which the research has been completed and agreeing that no further payments will be made.	Action should be taken to obtain the relevant report.
(b) 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	-	Further discussions should be carried out with government institutes in order to find out a suitable building.

July 2012 to accompany the office of the Council in a government building, the Council has been functioning its operations in private buildings which were rented out since 21 years from the commencement and Rs.26,108,800 had been paid for building rent from 2010 up to year under review.

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| <p>(c) 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>Due to the Covid pandemic, only a limited number of newspapers were published in the country, which were also replaced by electronic copies. This unexpected situation was faced by the Board as well as other sectors and the Board sought to conduct a maximum investigation through the limited number of copies received. Also, many newspapers did not publish printed or e-copies.</p> | <p>The Board of Directors should pay adequate attention to the investigation reports and the necessary evaluations on compliance.</p> |
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3.2 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
<p>(a) No action had been taken to formulate the necessary rules and regulations regarding newspapers issued to the market without being registered in terms of Section 30 of the Press Council Act.</p>	<p>According to His Excellency the President's Prosperity Vision Policy Statement, the Press Council Act, which is limited to newspapers, is being restructured to cover both electric and social media. Therefore, legislation is being drafted on the registration,</p>	<p>The Board should take action to investigate newspapers sold without registration.</p>

monitoring of all media outlets and how action should be taken when any defamatory statement is published in them.

- (b) Although the Board was required to take action against newspapers and editors under Section 09 of the Press Council Act, the total number of complaints during the year under review was 133, including 71 complaints received from the public and various institutions and 62 unresolved complaints in 2019. 69 complaints had not been resolved by the end of the year under review.
- On two occasions during the year under review, the hearing of press complaints was restricted due to the Covid epidemic in the country. Complaint hearings were commenced after the situation was resolved.
- Actions should be taken immediately to provide solutions for newspaper complaints.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Issue	Management Comment	Recommendation
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(a) The Board had failed to implement 08 programs included in the Action Plan.	Most of the programs conducted by the Press Council of Sri Lanka are programs in the capital city and beyond involving various groups and individuals. Programs are conducted especially with the involvement of school children, teachers and journalists. However, such programs were not implemented throughout the year due to the Covid epidemic on two occasions last year and the restrictions on mobilization in accordance with health guidelines.	The programs should be conduct in accordance with the action plan.
(b) The number of newspapers to be registered in the year under review was 250 and the estimated newspaper registration income was Rs. 500,000. As the actual number of news papers registered was	Considering the number of newspapers registered in previous years, it is assumed that a certain number will be registered for the coming years and that number will be included in the action plan. This is a hypothetical value.	Newspaper registrations should be done in accordance with the action plan.

172, the registration income should have been identified for 78 news papers, but only Rs.86,000 had been identified as revenue for 15 news papers and the revenue for the remaining 63 news papers had not been identified.

Due to the corona epidemic in that year, electronic copies were used instead of printed copies of popular national newspapers. Expected (monthly, quarterly, annual) newspapers and magazines were not registered with the Press Council as this situation had a severe impact on the newspaper industry.

(c) The Board had planned to conduct 10 welfare programs for journalists at the rate of Rs. 50,000 per program, but only one program was conducted during the year under review and Rs. 802,897 was spent for it. So the board's progress report showed a financial performance of 140 percent, it exceeded the budgeted amount.

As mentioned above, action was taken to provide 100 sets of school equipment worth Rs. 5,000,000 each at a cost of around Rs. 5,000 and The rest of the money was spent on the workshop. Although a series of workshops conducted by the Board island wide cannot be held this year due to the Covid epidemic in the country, this workshop was conducted to create awareness about the objectives and role of the Board and the importance of the welfare of journalists, especially with the intention of making an optimal contribution to the country through the welfare of journalists.

Action should be taken to conduct programs in accordance with the action plan.

4.2 Internal Audit

Audit Issue

According to the Financial Regulations No.133 and No.134, the internal audit division had not been operated in the Council and the post of internal auditor had not been included in the approved carder of the Council.

Management Comment

Actions have been taken to establish this Internal Audit post through letters exchanged between the Department of Management service. Line Ministry and the Board on 2019.07.18, 2019.07.25, 2019.08.07, 2019.08.19,

Recommendation

Action should be taken to implement an internal audit division in accordance with the provisions of the Financial Regulations.

2019.09.12, 2020.08.25 and necessary further action is being taken in this regard.

4.3 Budgetary Control

Audit Issue

The budget had not been used as an effective management control factor as fluctuations between budget and real income were observed from 5 percent to 67 percent and between budget and real expenditure from 5 percent to 100 percent.

Management Comment

Due to the Covid pandemic in the country corporate affairs were restricted on essential activities. Therefore it was not able to carry out many planned activities and such variability has occurred. Officials were instructed to use the budget as an effective management control factor to minimize such variances in the future.

Recommendation

Action should be taken to utilize the budget as an effective management control factor.