

Associated Newspapers of Ceylon Limited and its Subsidiaries - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Associated Newspapers of Ceylon Limited (“Company”) and the consolidated financial statements of the Company and its Subsidiaries (“Group”) for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 2022, 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.

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 Accounting Standards for Small and Medium-sized Entities, 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 and the Group.

1.4 Audit Scope (Auditor's responsibility regarding the audit of 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 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 and Group'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 the Group, 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 comply with the applicable laws.

1.5 Audit Observations on the Preparation of Financial Statements.

1.5.1 Non- compliance with the Sri Lanka Accounting Standard for Small and Medium-sized Entities

Non- compliance with the reference to particular Standard	Comments of the Management	Recommendation
(a) The purchase of IT equipment which should be recognized as a fixed asset in terms of Paragraph No. 17.4 of Sri Lanka Accounting Standard for Small and Medium- sized Entities had been accounted for as a maintenance expense.	The aforesaid asset will be capitalized in the year 2023.	Assets should be accurately identified and capitalized.
(b) When providing termination benefits as a result of a Voluntary Retirement Scheme, although that benefit should be recognized as a liability and an expense in terms of Paragraph No. 28.34 (B) of Sri Lanka Accounting Standard for Small and Medium-sized Entities, as the Company has not complied with the Standard regarding the benefits payable to the officers who terminate the service under the Voluntary Retirement Scheme as at the end of the year under review, the loss of the year under review, amounted to Rs. 178,471,698 had been understated and actions had not been taken to indicate the gratuity value of Rs.139,692,726 payable to 149 employees who terminate their service during the period from the last day of the year under review to 31 March 2023 separately as current liabilities.	A Voluntary Retirement Scheme (VRS) was launched in December 2022 and all payments and withdrawals in connection with this will be effective in January 2023 . Actions will be taken to indicate this retirement expense in the Annual Accounts 2023 and a note in this regard has been presented in the accounts of the year 2022.	Actions should be taken in terms of relevant Accounting Standard.

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| (c) | The value of uncorrected accounting errors in the year under review indicated by the audit relating to the financial statements for the year 2021 was Rs.7,966,630 in terms of No. 10.21 of Sri Lanka Accounting Standard for Small and Medium-sized Entities. | The errors pointed out by the audit in the financial statements of the year 2021 have been corrected in the financial statements of the year 2022. Arrangements will be made to recognize the accounting errors identified in 2022 in the statement of equity changes in 2023. | The relevant corrections should be done promptly. |
| (d) | Although it is necessary to review the provisions at the reporting date and to make arrangements to reflect the current best estimate on the amount required to settle the liability in terms of Paragraph No. 21.11 of Sri Lanka Accounting Standard for Small and Medium-sized entities, provision had been made as per the average percentage of 0.4 per cent in allocation of provisions for the case in which compensation of Rs. 500,000,000 was ordered to be paid from the cases filed against the Company. | We discussed this with our lawyers and the provisions have been made as per 0.4% average percentage due to the probability that the judgement of the relevant case will be in favour of the Company. | Provisions should be made as appropriate to the liability as per respective Accounting Standard. |
| (e) | Although the necessary criteria to make the provisions had been completed, in terms of Paragraph No. 21.4 of Sri Lanka Accounting Standard for Small and Medium-sized Entities, no provision whatsoever had been made by the Company for the compensation amount of Rs.4,120,740 fixed for 4 judgements given for compensation by the Labour Tribunal as at the last day of the year under review. | The amount fixed for 4 judgments, has been made available under Labour Judgment Deposit Account. | Provisions should be made as per respective Accounting Standard. |
| (f) | The useful life of assets should be reviewed at least at the end of a financial year in terms of No. 17.19 of Sri Lanka Accounting Standard for Small and Medium-sized Entities and if expectations differ from previous estimates, that difference should be accounted for in terms of Paragraphs No. 10.15 and 10.18 of the Sri Lanka Financial Reporting Standard for Small and Medium-sized Entities, fully depreciated property plant and equipment which is further being used valued at Rs.1,538,041,135 had not been reviewed or accounted for as such. | All freehold properties of the Company in 2021 and all motor vehicles of the Company in 2022 were re-valued and entered in the financial statements. Arrangements will be made to revalue all the printing machines of the Company in the year 2023 . | Actions should be taken in terms of respective Accounting Standard. |

1.5.2 Accounting Deficiencies

Audit Observations	Comments of the Management	Recommendation
<p>(a) The expenditures pertaining to 300 computer software licenses and websites maintenance amounting to Rs.820,370 in relation with the year under review had not been recognized in the financial statements of the year under review.</p>	<p>It could not be recognized in the financial statements 2022 due to not receiving the final tax invoice related to this expenditure even by February 2023 . That expense has been recognized in the financial statements of this year.</p>	<p>In recognizing expenditures, it should be done on accrual basis.</p>
<p>(b) Actions had not been taken to indicate the payments in advance amounted to Rs.903,867 made for the renewal of 261 annual licenses of Google Applications in relation to the year 2023 under the current assets.</p>	<p>It could not be recognized in the financial statements 2022 due to non-receipt of final tax invoice. It will be recognized as a current asset once the final tax invoice is received.</p>	<p>In recognizing expenditures, it should be done on accrual basis</p>
<p>(c) A sum of 1,303,000 which was for the cost of 04 air conditioners that the Company does not own, purchased in connection with the modernization of the office premises of the Tax Appeals Commission as per the lease agreement entered into between the Company and the Tax Appeals Commission had been accounted for under office equipment in property plant and equipment of the Company and a sum of Rs.325,750 had been identified as depreciation expenses related to the year under review. Therefore, non-current assets in the statement of financial position of the year under review and the loss of the year under review had been overstated by Rs. 922,958 and Rs.325,750 respectively.</p>	<p>The value of this machine has been erroneously capitalized as institutional assets and the error will be corrected in the year 2023 .</p>	<p>Only the assets owned by the Company should be recognized in accordance with Accounting Standards.</p>
<p>(d) The value of lease rent income which should be received from the Tax Appeals Commission by the last day of the year under review amounted to Rs. 2,632,500 had not been properly recognized in the financial statements.</p>	<p>It has been corrected in the year 2023 .</p>	<p>Actions should be taken to identify the income receivable accurately.</p>

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| (e) | The balance of sundry debtors amounted to Rs.12,605,232 and the balance of financial instrument account amounted to Rs.10,522,146 and the balance of retirement gratuity provision account amounted to Rs.2,083,088 had been overstated. | Payments received during December 2022 were charged to financial year 2022 due to the limitations of printing forward dated cheques in the Liobiz Accounting System. All payments (VRS) completed by 31 December 2022 have been temporarily transferred to the account of sundry debtors and it has again been charged to the Gratuity Provision Account at the beginning of January 2023 . | System errors should be corrected and the accounts should be kept so as to balance. |
| (f) | Due to the reduction of service time of 14 employees the provision for retirement gratuity for the year under review, had been made Rs.701,384 in less. | This situation arose due to the undercounting the service period of 14 out of 1200 employees because of an error in the HRIS Computer System. It has been corrected in this year. | The system errors should be corrected and estimates should be made based on accurate data. |
| (g) | Although the total of trade statutory expenses and the non-staff creditor balance under the values payable in the year under review was Rs. 40,976,807, due to an advance balance of Rs. 6,997,346 related to those balances were offset, the balance payable had been underrepresented by the same amount and 02 the creditor balances of Rs.2,466,902 included in that for more than 05 years old had not been settled even by the last date of the year under review. | The Liobiz Computer System has been designed to deduct the advance balance from the actual creditor balance and show in the accounts. Although this does not affect to the profitability due to this situation, the advance balance will be accounted for as an asset from the year 2023 . | System errors should be corrected and the accounts kept should be kept so as to balance. |
| (h) | Within the value of Rs.64,996,751 stated as motor vehicle cost, the value of office equipment amounting to Rs. 3,912,781 was also included. | This error will be rectified in 2023. | Assets should be accurately accounted for. |
| (i) | Actions had not been taken to recognize the passenger transport license numbers 1551 and 1154 of the buses owned by the Company as intangible assets in the financial statements of the year under review. | The passenger transport license numbers 1551 and 1154 of the buses of the Company were given to the Company free of charge about 35 years ago. Even though it was planned in this year to recognize | The value should be estimated and indicated in the financial statements or disclosed in a note. |

those assets as intangible assets, the bus passenger transport has been stopped by the Company due to continuous losses from the buses. On that basis, there is no condition to recognize it as an intangible asset.

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| <p>(j) The Company had not taken actions to correct the differences in the opening debit and credit balances of the year under review in relation to 13 stock items amounting to Rs.3,635,182 and Rs.2,669,967 respectively even by the end of the year and the stock had been undercounted by Rs.22,806,249 in relation to 6 items and 5 items had been over calculated by Rs. 5,927,633 .</p> | <p>This will be rectified in the year 2023 .</p> | <p>Actions should be taken to correct identified differences in the value of each stock item.</p> |
| <p>(k) The current and non-current liability as recorded in the lease creditor liability in the statement of financial position of the Company as at the end of the year under review were Rs.886,840 and Rs.8,386,829 respectively, it was observed that the value as calculated by both parties of the entity and the auditor should be Rs.142,753 and Rs. 8,129,817 respectively.</p> | <p>This error has been occurred in classifying the liability of the lessee.</p> | <p>The liabilities should be accurately indicated in the financial statements.</p> |
| <p>(l) Even though the Commercial Bank term loan balance had been stated as Rs.175,502,000 under borrowing as at the last day of the year under review, since the balance mentioned in the bank confirmation letter was Rs.174,335,400 a difference of Rs.1,166,600 was observed.</p> | <p>This accounting error has been corrected in February 2023 .</p> | <p>Actions should be taken to identify and correct the differences in relevant accounts while preparing financial statements.</p> |

1.5.3 Unauthorized Transactions

Audit Observations	Comments of the Management	Recommendation
Thus the approval of the Board of Directors was given in September 2022 for the payment of interest on deposit balance to agents, deposit interest of the agents for the year under review amounted to Rs.1,465,102 had been paid without having an approval.	As it is unable find a copy of the approval obtained for payment of interest on deposits many years ago, the approval of the Board of Directors has been obtained for this in September 2022 based on the advices of the audit.	It should act under formal authority in making payments.

1.5.4 Inappropriate Evaluation or Estimation

Audit Observations	Comments of the Management	Recommendation
Although the best available estimate is required to be reported for the required amount of money to review the provisions existing at the reporting date of the financial statements and settle the liabilities in terms of Paragraph 21.11 of Section No. 21 of Sri Lanka Accounting Standard for Small and Medium-sized Entities, the other provisions of Rs. 39,083,375 made by the Company in 2020 and 2021 had been shown in the financial statements at the same value without being the reviewed.	Employee Long Service Appreciation Ceremony for the year 2020 and 2021 could not be held due to the weak financial condition of the Company. One worker is entitled to one gold pound and two months' basic salary prevailing on that day. Due to the fluctuation of gold prices in the world market, the value of the gold pounds contained in the said provision was not reviewed and the over or under provisions are adjusted in accounts at the time of purchasing the gold pounds.	Actions should be taken to review the value and to follow the relevant Accounting Standard.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Observations	Comments of the Management	Recommendation
(a) Out of the Debtor balance of Rs. 728,686,241 pertaining to the total number of 1274 trade debtors as at 31 December 2022, only 15 debtors with a value of Rs.8,135,294 had agreed with the debtor balance of the Company.	Balance confirmation letters were sent to over Rs. 200,000 debtors as agreed the Lakehouse with the Auditor General's Department. However, only few debtors have responded and this situation is	Measures should be taken to recover arrears of debtor balances.

	<p>Actions had not been taken to confirm the balance of Rs.204,617,890 in relation to 583 debtors.</p>	
	<p>beyond our control. Although there was no response to the confirmation letters sent, most of the outstanding balances as at 31 December 2022 were settled by 22.05.2023.</p>	
<p>(b) A debt balance of Rs.43,650,100 had to be collected from 503 agents whose agency was cancelled before the year 2019.</p>	<p>The debtor balance for more than two years is Rs.28.5 million as per debtors' age analysis as at 31 December 2023. The recoveries of that amount will be handled by our regional sales executives.</p>	<p>Taking maximum measures to recover the receivables promptly and actions should be taken to be settled with proper authority.</p>
<p>(c) The Company had allowed government Ministries, Departments, Corporations and the Public to pay subscriptions for the publications of the Company and the balance outstanding which was shown in the receivables account at the end of the year under review was Rs.21,418,660. Out of which, a sum of Rs.13,683,486 was outstanding from 1 to 11 years and adequate actions had not been taken to recover this outstanding balance even by the end of the year under review.</p>	<p>Actions will be taken to write off the balances over 10 years out of the outstanding balances shown in the customers' account and to collect money.</p>	<p>Taking maximum measures to recover the receivables promptly and actions should be taken to be settled with proper authority.</p>
<p>(d) The total uncollected balance due to the leaving of employees from the Company due to retirement, termination or death for the period of 1 to 22 years amounted to Rs.7,357,501 had been appeared within the balance receivable from employees.</p>	<p>The amount to be collected from the employees who had left the service is Rs.5,458,049 as at today and out of that amount, an amount of Rs.2,116,441 can be recovered from the Employees' Provident Fund. Legal proceedings are being conducted to recover the balance amount of Rs.3,563,573.</p>	<p>An evaluation should be done on their age, repayment and capacity along with the ability to settle the loan during the loan issuance period.</p>
<p>(e) Due to lack of specific conditions or fixed time limit in advertising on credit basis for government agencies and other private agencies, the credit balance related to 189 outstanding balances for more than 2 years was Rs.19,537,397.</p>	<p>It is difficult to impose strict conditions or a fixed credit period in advertising on credit basis in the fierce competition in the newspaper industry. During the last 10 years, the relevant loan</p>	<p>A specific condition or fixed period should be made while advertising on the basis of credit during the period of issue of loan.</p>

balance that has not been settled from advertisement income is Rs.19.5 million. Accordingly, even if it is a small percentage, we have implemented all relevant measures to recover this money.

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

Reference to Laws, Rules, Regulations etc.	Non-compliance Rs.	Comments of the Management	Recommendation
(a) Section 27 (2) (a) of the Employees' Provident Fund Act No. 15 of 1958	The surcharge for delay charges of Employees' Provident Fund for the years 2019, 2020, 2021 and 2022 totalling to Rs.127,264,345 had not been paid even by the end of the year under review.	All the arrears have been paid by now and payments are made to the Fund on the due date at present without delay.	Actions should be taken in terms of Employees Provident Fund Act.
(b) Section 47 of Employees' Provident Fund Act No. 46 of 1980 and Section No. 44 of Paragraph 2 (vi) of Associated Newspaper Provident Fund	Because of the allowances and living expenses pertaining to calculation of Employees' Provident Fund contribution had not been considered, the contribution of the Company amounted to Rs.40,053,954, the employee's contribution amounted to Rs.42,532,794 and for the Employees' Trust Fund amounted to Rs.8,010,790 had been calculated in less.	Since the year 1959, the Employees' Provident Fund contribution of the employees of United News Paper Company Limited has been calculated based on the amount obtained by adding food allowance to the basic salary. Nowadays, most of the organizations calculate the Employees' Provident Fund amount based on the basic salary of the employees.	Actions should be taken in terms of Employees' Provident Fund Act.
(c) Government Procurement Guideline - 2006	The Government Procurement Guidelines had not been followed and as there was no formal procurement procedure approved by	The Lakehouse does not conduct procurement activities based on the Government Procurement Guidelines and the purchases are made as per	A new Procurement Guideline should be approved and implemented as soon as possible.

- the institution, it was not possible to verify the procurements amounting to Rs.9,195,572 made on the basis of letter of authorization in the year under review.
- the purchase guidelines approved by the Board of Directors of the Company. Arrangements have been made to introduce a new procurement procedure this year.
- (d) Company Board Decision No. 35/11/20 A sum of Rs.900,000 had been paid as consultant fees for a consultant who had been released to the Office of the Minister of Media on the basis of payment of salary and remuneration by the Company in contrary to the Decision of the Board of Directors.
- The then administration has hired an independent consultant to the Company at the request of the then Minister of Media. The service of this person was terminated from 06.12.2022. But at present no independent consultant has been recruited and released to the Ministerial Staff.
- Decision makings should not be done in a way that is unfaourable to the organization.
- (e) Section 38(1) (e) of the National Audit Act No. 19 of 2018 Although the Accounting Officer of the organization is responsible for providing answers to all audit queries within a prescribed time limit as required by the Auditor General, arrangements had not been made to provide answers even by 30 June 2023 for 05 audit questions issued from 03 November 2022 to 30 June 2023 .
- The Chief Internal Auditor and Senior Management have been instructed to respond to government audit queries within the prescribed period of time.
- Actions should be taken to reply to the audit queries within the prescribed period as per the provisions of the Act.
- (f) Section 13 (8) of the Finance Act No. 38 of 1971 The reports which should be submitted in terms of Sub -section (a) and (b) of Sub - section 7 of the Act have to be considered by the governing body of the concerned public
- The replies have not been given. It is informed that after receiving the Management Report for the year 2022, Actions will be taken in accordance with the Finance Act.
- Actions should be taken in terms of the Act.

corporation. After such consideration, the Board of Directors shall inform the Auditor General within three months from the date of submission of the audit report to the Company of the steps proposed to be taken on the matters indicated in the audit report, it had not been so done in the years 2020 and 2021.

1.8 Fund Management

Audit Observations

Due to the preparation of bank reconciliation statements with a significant time delay in relation with 10 accounts including the main current account of the Company without being prepared on the due date, the desired objectives of preparation of bank reconciliation statements were not achieved and there were Rs. 20,684,387 related to 511 unidentified direct remittances in Bank of Ceylon Account No.377 and Rs.20,220,216 in relation to 25 cases of direct payments recorded in the cash book and a number of 121 cheques related to Rs. 2,271,916 which were issued but not realized and exceeded 06 months were observed and there were 277 cheques valued at Rs.27,442,442 in other bank accounts at the end of the year under review. Out of that, a number of 76 cheques valued at Rs.2,483,943 respectively had remained outstanding for more than 5 years without taking steps to be settled.

Comments of the Management

Employees were called to duties only three days a week during the covid epidemic and unstable political situation. In that situation, there was a delay in preparing the bank reconciliations and it has been possible to avoid the delay at present. Arrangements have been made to take legal actions to collect the money for the returned cheques.

Recommendation

Arrangements should be made to prepare the bank reconciliations for each month without delay and actions should be taken to settle unidentified direct remittances and to take proper actions in respect of returned cheques.

2. Financial Review

2.1 Financial Results

The operational result for the year under review was a loss of Rs.191,937,000 and the profit for the preceding year against to that was Rs.332,012,000. Accordingly, a deterioration of Rs.12,380,187 was observed in the financial result. Decrease of newspaper income, which is the main source of income, by 16% compared to preceding year, decrease of other income by 44% and increase of distribution expenses by 21% and finance expenses by 41% had mainly attributed for this deterioration.

2.2 Ratio Analysis

The gross profit ratio and net profit ratio of the Company had decreased by 4% and 37% respectively in the year under review, as compared to the previous year and current assets ratio was 3.4, quick assets ratio was 2.5 and debt capital ratio was 0.89 in the year under review.

3. Operating Review

3.1 Identified Losses

Audit Observations	Comments of the Management	Recommendation
(a) Due to failure of considering 10650 square feet by the Company while preparing the estimate in the contract for painting the front of the Head Office, it was impossible to recover a sum of Rs.522,100 related to that from the old contractor and disciplinary actions had not been taken against those officers.	Agree.	Disciplinary actions should be taken against the parties responsible for the loss.
(b) Due to publication of advertisements erroneously during the year under review, the value of the advertisement space that could have been sold for the publication of the error correction notices was Rs.2,480,217 .	Answer has not been given.	Actions should be taken in order to reduce the error advertisements in publishing the advertisements.

3.2 Management Inefficiencies

Audit Observations	Comments of the Management	Recommendation
(a) An amount of Rs. 1,200,000 had been spent in December 2008 by the Company to buy 1200 shares of Lankapuvath Limited. However, no benefits whatsoever have been received even by 31 December 2022 .	The Lankapuvath Company, which is under the Ministry of Mass Media, is a non-operational company since 2014.	Investments should be made after carrying out an assessment at the time of making investments.

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| (b) | A total of Rs.2,194,637 paid as salaries and wages of three employees of Lankapuvath Limited in the year 2017 had been shown as a balance receivable even by 31 December 2022 . | Actions are being taken in this year to write off the amount receivable from the said company as bad debt. | Actions should be taken to settle the balances after making best efforts to recover. |
| (c) | Because of the Management had handled the disciplinary procedure apart from the normal procedure in respect of the financial fraud committed against the Company due to the deviation of responsibility of former Marketing Head of the Company, no action whatsoever had been taken in respect of a financial loss of Rs.22,481,380 occurred. | Agree. According to our financial statements, the loss occurred is Rs.14,103,153. Since this amount cannot be recovered, actions will be taken to write off as bad debt in 2023. | Actions should be taken to accurately identify the loss and to recover from the relevant parties. |
| (d) | The Lake House Property Development (Private) Company was established in the year 1985, in order to engage in property development business. However, cash flows from operating activities had not been generated even by May 2023 . | The Lakehouse Property Development is a dormant company that does not carry on businesses. Actions will be taken to close it in the near future. | Appropriate decision should be taken. |
| (e) | When called a case in which the plaintiff demanded Rs. 500 million from the Company in the year 2010 in relation to an article published in the weekly newspaper "Silumina", the court had made the judgement in favour of the plaintiff and ordered to pay a compensation of Rs.500 million because of the Company's lawyer who appeared for the Company was in the wrong courtroom. Subsequently, the Company had to pay Rs. 18,230,000 as legal fees for filing an appeal in the Supreme Court regarding this judgement. For this case, the lawyer who was in the wrong courtroom had himself selected the lawyers and presented them to the Board of Directors and disciplinary actions had not been taken so far against the officer. The case is currently being heard in the Supreme Court. | Since this case has not reached at the end and the ex-parte judgement passed by the District Court cannot be implemented until the Supreme Court hears the case. Therefore, I fail to conclude that the conducting a disciplinary inquiry by the Company on the professional negligence of the Lawyer of the Company. The Board of Directors had to extend her service for another 6 months from 15 May 2020 to 14 November 2020 on contract basis because she was the only officer close to all the relevant documents under the current situation after the spread of the covid-19 epidemic since 11 March 2020. However, after the | It should carry out further examination whether the Company has been adversely affected by any inefficiency of the lawyer and appropriate steps should be taken in that regard. |

expiry of that extension period, she was not given any further extension of service.

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| <p>(f) The other income of the Company had decreased by 44.7 per cent as compared to the previous year and arrangements had not been made to focus more on growing alternative sources of income.</p> | <p>The bus business has been stopped due to continuous losses. The revenue in the commercial printing sector increased by 121% in the first 4 months of 2023 relative as compared to 2022. Arrangements have been made to collect money for e-paper from March 2023 with a view of getting an alternative source of income in 2023 .</p> | <p>Appropriate steps should be taken to increase the income in future.</p> |
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3.3 Operational Inefficiencies

Audit Observations	Comments of the Management	Recommendation
<p>(a) Although there should be a division of work for the steps of preparing, checking and approving estimate records usually, it was not observed during the audit in the Commercial Printing Division that such things have occurred. An accepted and transparent method of preparation of cost estimates has not been following and it was observed that this work is done on the basis of the experience of the person preparing the estimate and personal determinations obtained and it was also observed that the income of the Commercial Printing Division in the year 2022 has decreased by Rs. 8,451,347 as compared to the year 2021.</p>	<p>A division of work has been done for the steps of preparing, checking and approving estimate records. The main factor that affected the decrease in the income of the Commercial Printing Division in the year 2022 is the political instability that existed from April to August.</p>	<p>Suitable steps should be taken to increase the income in future.</p>
<p>(b) The period of last 5 years, as compared with the previous year, the number of selling of newspapers had declined continuously and rapidly. The newspaper sales revenue in the year 2017 was Rs. 525 Mn. and it had</p>	<p>There was a decline in the number of newspapers sold in entire newspaper industry even in the year 2021 due to the Covid pandemic and</p>	<p>Suitable steps should be taken to increase the income in future.</p>

declined to 331 in the year 2022. The number of newspaper sales had decreased by 61 per cent by 2022, as compared to 2017 due to the failure of the Management to take adequate measures on strategic steps and measures to be taken to increase newspaper sales.

there was a decrease in sales revenue.

3.4 Idle or Underutilized Property, Plant and Equipment

Audit Observations	Comments of the Management	Recommendation
(a) Two buses purchased under the lease method in February 2021 valued at Rs.14,700,000, had been parked in idle without being put into operation from May 2022 up to now.	Kataragama bus transport service was stopped due to continuous loss of 2 buses. It was decided to sell one of those two buses and use the other bus for employee transportation.	Actions should be taken in favour of the organization after conducting a feasibility study when making investments and taking decisions.
(b) An 8 acre plot of land in Hokandara area purchased in 1985 to construct a housing scheme, with a reassessed value of Rs.733,000,000 in 2021 had remained in idle from the date of purchased.	Actions will be taken to use Hokandara land effectively after the political and economic situation of the country is restored.	Investments should be made effectively.

3.5 Resources Released to Other Organizations

Audit Observations	Comments of the Management	Recommendation
As per a request made by the Minister of Media on 26 November 2020, an independent consultant was recruited by the Company on 07 December 2020. Subsequently, this consultant had been released from service to the staff of the Minister of Mass Media on 08 December 2020 and to the staff of the Minister of Health on 17 August 2021 as well and the Company had paid an amount of Rs.1,800,000 as salary for the consultant without getting any services to the Company.	The previous administration has recruited an independent consultant to the Company at the request of the then Minister of Media. The service of this person was terminated from 06.12.2022. But at present no independent consultant has been recruited and released to the Ministerial Staff.	The necessary legal framework should be prepared not to occur this from happening in the future.

3.6 Human Resources Management

Audit Observations	Comments of the Management	Recommendation
The approval of the Board of Directors had not been obtained even by 31 December 2022 for the payment of an amount of Rs.3,150,000 made to a consultant in the year 2017 for the formulation of Human Resource Management Policy and once again the same consultant was recruited for the same work in November 2022 on a contract basis of 06 months and paid Rs.150,000 per month and the contract period had been extended for another 6 months from 01 May 2023 .	The Company prepares approved cadre, duty lists and qualifications for Senior Management, and policies for Performance Management and actions are being taken to submit them to the Board of Directors for approval within this year. A Human Resources Consultant has already been recruited on contract basis for this purpose.	A Scheme of Recruitment should be prepared and implemented by obtaining the approval.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observations	Comments of the Management	Recommendation
Even though provisions were made for procurements and improvements for production development programme, to develop the Printing Division under the Annual Action Plan, it had not been implemented and the opportunity to grow the revenue of the Company and reduce the loss was missed due to minimal execution of plans for Advertisement Division, Digital Media Division and Sales Division.	The necessary human and physical resources have been provided to strengthen the digital media sector and there is a gradual increase in the income from it.	Actions should be taken to improve the income of the Company.