

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Press Council (“Council”) for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 Council as at 31 December 2022 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

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

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

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

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

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

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

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

1.4 Scope of Audit (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 scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed identify and assess the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council'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 Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

1.5 Audit Observations on the preparation of Financial Statements

1.5.1 Internal Control over the preparation of financial statements

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Issues with regard to maintenance of key accounting records such as General Ledger, Journal and Journal vouchers, payment vouchers etc. may include under this heading

1.5.2 Non-compliance with Sri Lanka Public Sector Accounting Standard

Non-compliance with reference to the relevant standard	Comment of the management	Recommendation
According to Paragraph 42 of Sri Lanka Public Sector Accounting Standard 07 and the accounting policies of the Council, the motor vehicles should be revalued and stated in the financial statements, whereas action had not been taken to state the value of the motor vehicle costs of Rs. 10,541,000 in the financial statements.	These revaluations of motor vehicles are scheduled to be conducted in this year and the officers were instructed to comply with the accounting standard in the future.	Revaluations should be conducted in terms of accounting standards and shown in the financial statements.

1.6 Non-compliance with laws, rules, regulations and management decisions

Reference to laws, rules, regulations	Non-compliance	Comment of the Management	Recommendation
(a) Paragraph 16.4(i) (c) of the Cabinet Decision No. 20/1468/340/002 dated 13 October 2020.	Although the Chairman of the Council can be paid only the salary and the allowances entitled to the lecturer post of the University according to the relevant Cabinet decision, a sum of Rs. 1,079,032 had been paid as the salary entitled to the capacity of the Chairman for the year 2022 contrary to the Cabinet decision.	The total allowance was paid within the respective period as interpreted in the Board Paper No. 20/1468/340/002 dated 13 October 2020 and according to the response letter issued by the Public Enterprises Department regarding the payment of total allowance, 50 per cent allowance was paid according to the decision of the Board of Directors.	Action should be taken in accordance with the Cabinet Decision.
(b) Paragraph 01 of the Presidential Secretariat Letter No.CA/1/17/1 dated 14 May 2010 and Directive No.07 of the Committee on Public Account dated 10 July 2012	Although the Council should be maintained in a government building, the Council had been maintained in private buildings over a period of about 23 years from its establishment and Rs. 33,794,800 had been paid as the building rent from the year 2010 up to the year under review.	Several attempts were made to house the Board in a government premises and discussions are also held with the Minister from time to time regarding the obtaining of a government building. Letters have been referred to the Urban Development Authority and other public institutions regarding this matter.	Action should be taken in accordance with circular provisions and the directives of the Committee on Public Account.
(c) Section 13 (8) of the Finance Act No.38 of 1970.	The reports submitted in accordance with Paragraphs (a) and (b) of Sub-section 07 of the Act should be considered by the Board of	Not replied	Action should be taken in accordance with the provisions of the Act.

Governance of the relevant Corporation. Subsequent to such consideration, the Board of Governance should inform of the measures to be taken for the matters pointed out in the Audit Report to the Auditor General within a period of three months from the date of issue of the Audit Report to the Board. Nevertheless action had not been taken accordingly in the years 2020 and 2021.

2. Financial Review
Financial Result

The operating results of the year under review was a profit of Rs.1,653,272 as against the loss of Rs.3,381,173 for the preceding year. Accordingly, an improvement of Rs.5,034,445 was observed in the financial results. This improvement was mainly due to the increase in the government grants by 22 per cent, decrease in the other expenses by 21 per cent and the decrease in the exchange and grants expenditure by 42 per cent compared to the preceding year.

3. Operating Review
3.1 Management Inefficiencies

Audit Observation	Comment of the Management	Recommendation
<p>According to Section 25 of the Sri Lanka Press Council Law, No.05 of 1973, the regulations related to the registration of newspapers and the levy of fees in respect of such registration should be revised. With the advancement of technology, the publication of e-newspapers has gradually increased, whereas the Council had not taken measures to revised the provisions of the Law regarding such registration of newspapers.</p>	<p>Although it had been informed to appoint a committee of experts headed by the Secretary to the Ministry and thereby, proceed with the amendment to the Law as required by the Cabinet Decision dated 12.01.2021, necessary restructuring process could not be carried out due to the reasons beyond the control of the Council, despite the submission of a draft by the Council after restructuring the Law as applicable to the electronic and the new media. Similarly, the request of the Council for the</p>	<p>Action should be taken in accordance with the Press Council Board Law and after correctly estimating the necessity and the productivity of the registration of e-newspapers, provisions of the Law should be amended.</p>

increase in the registration fees of the newspapers as per the Board of Directors' Decision dated 20.12.2022 had been rejected by the Cabinet.

3.2 Operating Inefficiencies

Audit Observation	Comment of the Management	Recommendation
<p>(a) In terms of Section 09 of the Press Council Law, the Council should take measures with regard to the complaints received against the newspapers and editors etc. from the general public and various institutions. The total number of complaints, including 34 complaints received from the general public and various institutions against the newspapers during the year under review together with 35 unresolved complaints continued from the year 2021 was 69 and 23 of that complaints were being investigated even by the end of the year under review.</p>	<p>Immediately after the receipt of a complaint, an inquiry is called for within 02 weeks. The investigations will be initiated within another two weeks in accordance with the regulations. Furthermore, the investigations will need to be conducted over an extended period on various grounds.</p> <p>In general, there may be delays in the investigations on various matters and reasons beyond the control of the Council.</p>	<p>The activities related to the giving resolutions to the complains against the newspapers should be expedited.</p>
<p>(b) Necessary rules and regulations had not been made as per Section 30 of the Press Council Law in respect of the newspapers issued to the market without registration.</p>	<p>It had been informed to appoint a committee of experts headed by the Secretary to the Ministry and thereby, proceed with the amendment to the Law in terms of the Cabinet Decision dated 12.01.2021. The necessary restructuring process could not be carried, despite the submission of a draft by the Council after restructuring the Law as applicable to the electronic and the new media. Similarly, the Council's request for the increase in the registration fees of the newspapers as per the Board of Directors' Decision dated</p>	<p>The Council should take steps to make rules and regulations on the newspapers sold without registration and inquiries should be conducted accordingly.</p>

20.12.2022 had been rejected by the Cabinet. However, the proposed amendments to the sections have been submitted to the Ministry by the letter dated 06.04.2023.

- (c) No action had been taken even by March 2023 to conduct relevant investigations and recover the loss according to the Financial Regulations in respect of the shortage of 02 computers recognized during the board of survey of the year 2021 and the shortage of 01 computer recognized in the year 2022.
- The offers were instructed to look into this shortage of computer one again and it was further instructed to ascertain whether these computers have not been eliminated from accounts books despite being physically removed such computers which were scheduled to be removed. Similarly, the officers were advised to adhere to the Financial Regulations in such cases in the future.
- Action should be taken in accordance with the Financial Regulations.