

Sri Lanka Press Council - 2012

1. Financial Statements

1.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.2 of this report, the financial statements give a true and fair view of the financial position of the Sri Lanka Press Council as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Comments on Financial Statements

1.2.1 Accounting Policies

Motor vehicles depreciation rate of the Council had been 20 per cent from the inception but it had been reduced to 10 per cent in the year under review. The reason for such change and the effect on the financial position and the financial results had not been disclosed with the financial statements.

1.2.2 Accounting Deficiencies

The following observations are made.

- (a) Instead of adjusting the provision for gratuity amounting to Rs.267,170 to the loss for the year in the cash flow statement, it had been shown as a cash outflow from investing activities.

(b) Instead of showing the selling price of Rs.757,500 relating to the vehicle disposed during the year under review as cash inflow from investing activities and adjusted the profit from sale of this vehicle amounting to Rs.257,500 against the loss for the year, the total cost of the vehicle amounting to Rs.800,000 had been shown as an cash inflow in the cash flow statement. Similarly, the accumulated depreciation of the disposed vehicle amounting to Rs.300,000 had been set off against the provision for depreciation of fixed assets of the year amounting to Rs.1,410,321 and the balance of Rs.1,110,321 had been erroneously adjusted to the year's loss in the cash flow statement.

1.2.3 Accounts Receivable

A sum of Rs.77,900 receivable from 02 institutions since 2009 had not been recovered up to the end of the year under review.

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

According to the paragraph 1 of the President Secretariat's letter No.1/17/1 dated 14 May 2010, approval as per the government valuer's valuation should be taken for the rented out building in which the office of the Council is operated belonging to the private sector at an annual rental of Rs.1,920,000 since 29 December 2011. Nevertheless action had not been taken accordingly.

Even though this matter had been discussed at the meeting of the Committee on Public Enterprises held on 10 July 2012 and directed to shift the office to a government building as early as possible, it had not been implemented up to the end of the year under review.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the operation of the Council for the year ended 31 December 2012 had resulted in a defect of Rs.16,680,648 before taking into account the government grants received for recurrent expenditure. Even after the receipt of government grants for recurrent expenditure amounting Rs.16,601,000, there was a deficit of Rs.79,648. As compared with the financial results for the preceding year before taking into account the government grants received for recurrent expenditure had been a deficit of Rs.14,877,363 and after the receipt of government grants for recurrent expenditure amounting to Rs.14,000,000 , it was a deficit of Rs.877,363. Even though the expenditure of the year had increased by Rs.2,021,734 , the increase in government grants by Rs.2,601,000 had been the reason for the improvement of financial results by Rs.797,715.

2.2 Analytical Financial Review

This Council established under the Sri Lanka Press Council Act. No 5 of 1973 carries out only the registration of newspapers and holdings inquiries on complaints during the past several years, out of its expected objectives. However, a sum of Rs. 9,933,084 had been spent, except for personal emolument during the year under review to operate this Council. The income received from registration of newspapers and late fees had been limited only to Rs.188,550 and the overall recurrent expenditure of the year under review had increased by 13 per cent.

3. Operating Review

3.1 Performances

The following observations are made.

- (a) Two activities such as conducting English certificate courses and printing magazines included in the action plan for the year 2012 had not been achieved and only two associations under the registration of journalists associating activity had been registered.
- (b) Forty two complaints had been received against newspapers during the year under review and unresolved complaints relating to the year 2011 had been 10. Out of all complaints of 52, 21 complaints had not been resolved even by the end of the year under review.

3.2 Objectives not Adequately Fulfilled

In terms of Section 8(3) of the Act of Incorporation of the Council, a main objective of the Council is to ensure whether the newspapers and journalists maintain the high standards of journalistic ethics. However, the set of journalistic ethics prepared to be observed by journalists in order to achieve the above objective had not been revised for the last 32 years since 1981 along with the recent rapid development in the field of printed media. Likewise except holding inquires on complaints made by public and the registration of newspapers, there was no methodology to investigate newspapers published daily in respect of supervision of these ethics.

3.3 Management Inefficiencies

The following observations are made

- (a) The mechanism exists in the Council to investigate into profane, defamatory and unethical news published in the news papers and refer the culprits to courts in terms of Section 15 of the Act of Incorporation of the Council had not been sufficient.
- (b) According to the rules adapted in terms of Section 25 of the Act by the Council, provisions had been made for the registration of newspapers only on the application for registration made voluntarily by the owners of newspapers and charge fees thereon. Accordingly, the number of newspaper registered during the year under review had been limited to only 196.
- (c) The Council had conducted three Mass Media Diploma courses and one English certificate course since the year 2010 and the following management inefficiencies were observed in that connection
 - (i) Out of the total course fee of Rs. 525,000 to be charged from participants of the English certificate course conducted in the year 2011, only a sum of Rs. 82,500 had been recovered. The expenditure incurred thereon was Rs.222,188. 95 per cent of the participants had been professional journalist. A system to collect money at the beginning of the course had not been introduced.
 - (ii) Even though a sum of Rs. 600,000 as the course fees for the Diploma in Mass Media course commenced in July 2011 in the academic year 2011/2012 to be charged, only a sum of Rs.268,000 had been recovered.
 - (iii) According to the analysis of registration of students for each course, number of participants and the number of students sat for the final test, it was observed that nearly 75 per cent of the registered students only had been participated, out of which 60 per cent of them had sat for the final test. 40 per cent had left the course.

- (d) Follow up action on the return of proposal made in the survey carried out in respect of readership variation of newspapers expected to be performed by the Council after being evaluated had not been taken.

Similarly, the Council had failed to take action on directives given by the Committee on Public Enterprises met on 10 July 2012 in this regard.

- (e) The Council had conducted 08 workshops, consisting of 04 district divisional journalist seminars, 03 seminars for school media workshop and 01 Professional Journalists Workshop during the year under review and a sum of Rs.1,686,068 had been spent thereon. The following observations are made in conducting those workshops (seminars).

- i. Most of those media workshops had been conducted in private places and 64 per cent or Rs.971,964 of the total expenditure incurred on these workshops had been spent for the supply of accommodation and meals to participated journalists, staff members and resource persons.
- ii. Further, the method of selecting districts for holding district journalistic workshops had not been explained and two workshops had been conducted in Badulla District in the years 2010 and 2011. During the period of 03 years from 2010 to 2012, workshops had been conducted to cover only 11 Districts.

3.4 Transactions of Contentious Nature

The following observations are made.

- (a) In the process of sale of a motor vehicle belonging to the Council disposed during the year under review at a value of Rs.757,500, contentions such as the appointment of a Valuation Board before the approval was granted, sealing only the bid submitted by the selected successive bidder, non-signing all the members of the Procurement Committee at the bid opening, the selected bidder had

examined the vehicle on the same day of bid opening and submitted the bid and the ownership of the vehicle had been transferred on the same date were observed.

- (b) When the quotations for making the exhibition stall were called for the Deyata Kirula exhibition, no public quotations were called. As 03 institutions out of 04 selected for calling quotations had been engaged in getting other purposes of the Council done from time to time and there was a remarkable delay between the dates of submitting quotations by the selected supplier and the dates of all other institutions who had sent quotations, this quotation process had not been done transparently.

3:5 Personnel Administrations

The following observations are made.

- (a) In terms of Section 22 of the relevant Act, the Chief Executive Officer of the Council is the Press Commissioner. Functions of this post had been covered by officers appointed on the recommendations of the Ministry on acting basis from time to time since 31 March 2010. Similarly, the scheme of recruitment and promotion of the Council had not been prepared and approved in terms of Management Services Circular No. 30 of 02 September 2006. As such, the 06 key positions of the approved cadre of the Council had been in vacant since inception.
- (b) Although an officer had been recruited for the post of Assistant Commissioner (investigation) for a period of 03 years from 01 September 2009 to 31 August 2012 on a secondment basis, approval of the Department of Management Services had not been obtained for it.

4. Accountability and Good Governance

4:1 Presentation of Financial Statements

Notes submitted along with the financial statements did not include the information regarding Acts of Incorporation of the Council and (key) functions.

4:2 Action Plan

Even though an action plan had been prepared for the year 2012 by the council, it had not been prepared in accordance with requirements stated in Chapter 5 of the Public Enterprise Circular No. PED/12 dated 02 June 2003. As a result, the action plan could not be used as an effective mechanism to plan the performance of the Council. Further, the corporate plan, budget and performance had not been reviewed periodically to ensure whether the actual performance had been achieved as planned and to take remedial action, in terms of paragraph 4.2.2 of that circular.

4:3 Internal Audit

Attention had not been paid in respect of the need of carrying out internal audit of activities and transactions of the Council even during the year under review.

4:4 Procurement Plan

In terms of paragraph 4.2.1 of the National Procurement Agency Circular No. 08 of 25 January 2006, a master procurement plan had not been prepared as a pre-procurement plan to ensure the economy, efficiency and effectiveness in procuring in the Council. As such it was observed that supplies and services required for day to day activities had been done without any pre-planning.

4:5 Budgetary Control

Variances ranging from 11 to 100 per cent between the budgeted and actual income and expenditure were observed and as such the budget had not been made use of as an effective instrument of management control.

5. Systems and Control

Weaknesses in systems and control were brought to the notice of the Chairman of the Council from time to time. Special attention is needed in respect of the following areas of control.

- (a) Stationery stock control
- (b) Conducting course workshops
- (c) Accounting
- (d) Personnel activities