

Sri Lanka Press Council 2013

The Audit of financial statements of the Sri Lanka Press Council for the year ended 31 December 2013, comprising the statement of financial position as at 31 December 2013 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information 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 section 13(1) of the Finance Act No.38 of 1971 and Section 20 of the Sri Lanka Press Council Act No.05 of 1973. My comments and observations which I consider should be published with the Annual Report of the Council in terms of Section 14(2)(c) of the finance Act appear in this report.

1.2 Management’s Responsibility for the Financial Statements

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

1.3 Auditor’s Responsibility

My responsibility is to express an opinion on these financial statements based on my audit I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000- 1810). Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatements of the financial

statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the Council 's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by managements, as well as evaluating the overall presentation of the financial statements. Sub - sections (3) and (4) of Section 13 of the finance Act No.38 of 1971 give discretionary powers to the Auditor general to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 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 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Public Sector Accounting Standards

The following observations are made.

- (a) Even though a three- wheeler being used by the Council had been shown in the final accounts at its residual value of Rs. 13,500, the vehicle which is currently in use had not been revalued and revaluated amount had not being brought to accounts in accordance with the Sri Lanka Public Sector Accounting Standards No.-7.
- (b) According to the Sri Lanka Public Sector Accounting Standards No. -7, depreciation of assets begins when they are available for use. However, the fixed assets purchased in several times during the year under review for Rs, 285,500 had been depreciated for the entire year of 2013 and as a result depreciation expenditure for the year had been overstated by Rs. 47,708.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) According to the board of survey reports, the value of stock of “Puwathpath Kala Sameeksa” books had been overstated by Rs, 15,250 in the financial statements.
- (b) A sum of Rs. 343,800 payable for newspaper receptive survey had not been brought to the accounts and as a result, the deficit for the year under review had been understated by the similar amount.
- (c) Motor vehicle maintenance cost of Rs. 44,180 which had been paid in the year 2012 and accounted for as fixed assets had not been rectified even during the year under review.

- (d) The library books costing Rs.125, 216, after deducting of residual value, had not been depreciated during the year under review in accordance with the depreciation policy of the Council. Accordingly, depreciation expenditure of the year under review had been understated by Rs. 25,043.

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

It was discussed at the Committee on Public Enterprises about non taking action in terms of President Secretariat's Circular No.CA/1/17/1 dated 14 May 2010. It was ordered to transfer the official premises of the Council to a government building, but the Council had not carried out the order. Even though it was elapsed 40 years after the establishment of the Council, offices had been operated in various locations on rent basis. Rent totaling Rs. 9,410,500 had been incurred only for the period from 2006 to 2013.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operation of the Council for the year ended 31 December 2013 had resulted in a defect of Rs.20,778,955 before taking into account the government grants received for recurrent expenditure and after the receipt of government grants for recurrent expenditure amounting Rs.18,983,750, there was a deficit of Rs.1,795,205. 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.16,680,648 and after the receipt of government grants for recurrent expenditure amounting to Rs.16,601,000 , the deficit was Rs.79,648. Even though the increase in government grants by Rs.2,382,750, the total expenditure of the Council had increased by Rs.3,832,123 was the reason for the deterioration of financial results.

3.2 Abnormal increasing in expenditure

The total expenditure incurred for workshops, training courses and other programmes had increased by 94 per cent as compared with the preceding year. The expenditure incurred on Deyata Kirula programme had increased by Rs. 582,832 as compared with the preceding year and incurring of Rs. 2,169,110 as cost for the 40th anniversary of the Council were mainly affected for increasing the expenditure.

4. Operating Review

4.1 performance

As compared with the action plan of the year under review, the progress of the physical and financial performance of activities implemented are as follows.

Activity	Planned		Performance	
	Target	Financial Provision	Actual	Financial
		Rs.		Rs.
Inquiries of complaints	75	-	38	-
Registration of newspapers	200	-	189	-
Registration of websites	50	-	-	-
Conducting workshops and seminars	12	1,000,000	8	1,439,567
Conducting diploma courses	01	750,000	01	466,554
Professional Journalists workshops	02	-	-	-
Printing of books:				
-Madya Sameeksha II (100 copies)	01	500,000	01	265,625
- Sannivedana Vividanga	05	-	-	-
Survey on reading newspapers	01	1,000,000	-	553,200

The following observations are made.

- (a) 61 complaints had been received against newspapers during the year under review and including the unresolved complaints relating to the year 2012, 82 complaints were unresolved. Out of them, 24 complaints had not been resolved up to 25 May 2014.

- (b) According to the annual action plan, a sum of Rs. 1,000,000 had been provided for conducting 12 workshops for District Divisional Journalist and school Journalists. However, after conducting only 08 workshops, a sum of Rs. 1,439,567 had been spent thereon.
- (c) Even though it was planned to register 50 websites, this programme had not been implemented up to April 2014.
- (d) Even though it was planned to print 05 multiplicity communication books in order to create a best professional journalism, this had not been performed.

4.2 Management Inefficiencies

The following observations are made.

- (a) The Press 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) The total expenditure incurred for four courses amounted to Rs. 2,449,997. However, only total sum of Rs.834,500 had been charged as course fees, an additional cost of Rs. 1,615,497 had to be incurred from fund of the Council.
 - (ii) Out of the total course fee of Rs. 525,000 to be recovered 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 amounted to Rs.222, 188. 95 per cent of the participants had been professional journalists. A system to collect this money at the beginning of the course had not been introduced.
 - (iii) Even thought about Rs. 600,000 to be charged as the course fees for the Diploma in Mass Media course commenced in July 2011 in the academic year 2011/2012, only a sum of Rs.268,000 had been recovered.

- (iv) Even though the course fees had been revised so as to recover the course expenses, according to the advice given by the Audit and Management Committee meeting held on November 2012, the course expenditure had not been covered by that.

- (v) Although students were enrolled for courses, drop out percentage was about 50. After being taken the necessary action to identify the reasons for increasing drop out percentage, the follow up action had not been taken by the course organizers.

- (b) In order to celebrate the 40th anniversary of the Sri Lanka Press Council, a function had been held on 23 September 2013 by incurring a sum of Rs. 2,169,110. Although a provision of Rs. 1,750,000 had been made for this programme, a sum of Rs.419,100 had been spent in excess of the provision. Hence, the provisions made for the payment of salaries to the officers to be newly recruited had been used for this programme, since the new recruitments had delayed.

- (c) The Council had conducted 6 school media workshops in the years 2012 and 2013. Out of these workshops, 2 out of 3 held in the year 2012 and 1 out of 3 held in the year 2013. In that 3 workshops out of 6 had been held only in the Kandy District. Thus, it was observed in audit that the management had not paid attention to other schools in which registered Journalists Associations existed.

- (d) The books related to the mass media are printed and sold by the Council and 4,141 copies of 9 books were so printed from time to time, in the years 2010 to 2013 had been kept in the stores due to the unsaleable. The total cost of books amounted to Rs. 530,668 and saleable value amounted to Rs. 723,950. Non availability of a proper procedure to market and distribute the printed books had affected this situation.

4.3 Transactions of Contentious Nature

A sum of Rs. 20,000 had been paid to a private firm for lettering of a book called Madya Sameeksa –II, printed in 2013, and without issuing the relevant cheque in the name of the said firm, it had been drawn in favor of the Commissioner of Newspapers. A photo copy of the receipt had been furnished to audit instead of the original receipt as well.

4.4 Uneconomic Transactions

The following observations are made.

- (a) Quotations were called for removing of existing sheets and fixing of new sheets to a motor vehicle belonging to the Council. Despite the firm which had provided the service had agreed to purchase the removed sheets at prices ranging from Rs. 20,000 to Rs. 25,000, the removed sheets had been sold for Rs. 10,000 to an outside person.
- (b) Without calling for separate quotations for printing matters relating to the programmes implemented by the Council printing works had been carried out through the organizing institutions and a sum of Rs. 318,500 had been spent thereon.

4:5 Personal Administrations

The following observations are made.

- (a) In terms of Section 22 of the Press Council Act, the Chief Executive Officer of the Council is the Press Commissioner and functions of this post had been covered by officers appointed on the recommendations of the Cabinet of Ministers on acting basis from time to time since 31 March 2010. Even though the Committee on Public Enterprises held on 10 July 2012 had directed to furnish a Cabinet Paper in order to obtain the Cabinet approval to appoint a permanent officer for the post of Press Commissioner which should be a fulltime post, a Cabinet paper had not been furnished up to the date of this report.

- (b) The scheme of recruitment and promotion of the Council had been approved on 27 August 2013 in terms of Management Services circular No. 30 of 02 September 2006 and the Treasury approval for provisions for the payment of services to new officers had also been granted. An advertisement to fill 9 vacancies had been published in newspapers on 06 October 2013 by spending Rs. 102,144. However, out of relevant vacancies, only an Assistant Commissioner Post had been filled by recruiting an officer on secondary basis. Due to non-recruitment of staff approved cadre, a sum of Rs. 475,305 had been paid by recruiting 04 officers on daily payment basis.

5. Accountability and Good Governance

5:1 Corporate Plan

Even though an corporate plan had been prepared by the Council for the period of 2010-2014 in terms of Section 5 of the Public Enterprise Circular No. PED/12 of 02 June 2003, the plan had not been updated by evaluating it on timely basis.

5:2 Action Plan

Even though an action plan had been prepared for the year 2013 by the Council, the places where workshops were held and time periods related to the district Journalists workshops and school workshops which had been conducted during the year under review had not been specifically mentioned in the plan.

5:3 Internal Audit

Internal audit functions of the Council had been carried out by the internal audit division of the Ministry. However, none of the activities relating to the preparation of internal audit programmes, implementation and reporting had been performed, in terms of requirements in Treasury circulars No. IAI/98/02 of 03 August 1998 and No. IAI/2011/01 of 25 January 2011, Section 13 (5) (c) of the Finance Act No. 38 of 1971 and Auditing Standard No. 610.

5:4 Audit Committees

In terms of paragraph 6.5.1 of the Public Enterprise Circular No. PED/12 June 2003, the minimum of 04 committee meetings should be held in quarterly basis. However, only two meetings had been held during the year under review.

5.5 Procurement Plan

In terms of paragraph 4.2.1 of the National Procurement Agency Circular No. 08 of 25 January 2006, a procurement plan had been prepared on 21 May 2013. Nevertheless, the procurements of goods and services that associated with the activities in annual action plan had not been included in the plan. Although in terms of paragraph 2.14.1 of the Circular, when goods and services are procured for over Rs. 500,000, a minimum of 5 quotations should be obtained. However, only 3 quotations had been obtained in two instances, in procuring of over Rs. 500,000 worth of goods.

5:6 Budgetary Controls

In terms of provisions in the Finance Act No. 38 of 1971, the budget for the year 2013 had been approved by the Board of Directors on 27 September 2012. However, after a leaps of 08 months in the year 2013, a revised budget had been again prepared on 29 August 2013. Variances ranging from 10 to 100 percent between the revised budget and actual expenditure were observed and as such the budget had not been made use of as an effective instrument of management control.

5.7 Implementation of Directives given by the Committee On Public Enterprises

The directives given relating to the Press Council at the meeting of Public Enterprises held on 10 July 2012, viz. shifting the office premises to a government owned building, appointment of a permanent officer for the post of Press Commissioner, implementation of the internal audit functions and furnish reports to audit, accelerating the survey on newspaper readership and submitting of a Cabinet Paper in order to obtain the approval to make amendments to the Press Council Act, had not been implemented.

5.8 Environmental and Social Responsibility

The following observations are made.

- (a) 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 of journalistic ethics, and the set of journalistic ethics prepared in order to achieve the above objective had not been revised for the last 33 years since 1981 along with the resent rapid development in the field of printed media.
- (b) In terms of Section 25 of the Press Council Act every newspaper should be registered in the Council. Nevertheless, according to the information of the National Library and Documentation Service Board, it was observed that newspapers had been released to the market without being registered. Although the powers had been vested in terms of Section 30 of the Act to the Board of Directors to make required rules and regulations against the responsible parties of the unregistered newspapers considering it as influencing maters to the functions of the Council, necessary actions had not been taken in this regard.

06. Systems and Controls

Weakness in systems and controls observed in audit 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) Conducting courses
- (b) Procurements