

The Sri Lanka Press Council - 2011

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 2011 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 Accounts Receivable and Payable

Following observations are made.

- a) Even though the rent agreement for the old building in which, the Council had been maintained , had been terminated as at 30 September 2011, action had not been taken to recover the amount of Rs. 66,766 after deducting the balance of Rs. 58,234 to be paid to the Urban Development Authority and the Colombo Municipal Council from the rental deposit for the building amounting to Rs. 125,000.
- b) Action had not been taken up to the end of the year under review to recover an aggregate amount of Rs. 77,900 to be received from Lanka Puwath Institute and another person since the year 2009

1.2.2 Lack of Evidence for Audit

Due to non-availability of documentary evidence for 5 instances of payments with an aggregate value of Rs. 277,409 such as, documents for the verification of payments, documentary evidence for quotations, it was not possible to satisfactorily vouch in audit those payments.

1.2.3 Non compliance with Laws, Rules and Regulations

Instances of non compliances with laws, rules , regulations and management decisions are as follows :

Reference to Laws, Rules and Regulations etc. -----	Non-compliance -----
Paragraph 1 of the letter No. CA/1/17/1 issued by the Presidential Secretariat on 14 May 2010	Ministries and offices of all of the Institutes under the purview of those Ministries should be maintained in the buildings belonging to the Government and State Corporations and approval should have been obtained on the Government assessment in order to obtain privately owned buildings only under special circumstances. However, action had not been taken in this regard in renting the building owned by the private sector in which, office of the Council had been functioning since 29 December 2011. The Chairman of the Council had made the following clarification in this regard. “Attempts had been made to find a building owned by the Government by conducting discussions with the Ministry prior to publishing newspaper advertisements in order to obtain a building for the Council. Inspections had been conducted on the availability of the buildings owned by the Urban Development Authority. Due to non-availability of such a building, a privately owned building had to be obtained. “

1.2.4 Transactions Not Supported by Adequate Authority

Following observations are made.

- a) Journal vouchers with proper approval had not been prepared for 42 journal entries for an amount of Rs. 13,425,100 issued during the year under review.
- b) A course fee of Rs. 234,000 receivable from the conduct of Diploma course for Mass Communication commenced in the year 2010, had been written off without obtaining the approval from the Board of Directors.

2. Financial Review

2.1 Financial Results

As per the financial statements submitted, the operation of the Council for the year ended 31 December 2011, had resulted in a deficit of Rs. 14,877,363 before taking in to account the Government grant for Recurrent Expenditure. After taking in to account the Government grant of Rs. 14,000,000 received for Recurrent Expenditure, it had become a deficit of 877,363. The financial results of the preceding year before taking in to account the Government Grant for Recurrent Expenditure had been a deficit of Rs. 13,445,045 and it had become a deficit of Rs. 889,045 after taking in to account the Government Grant of Rs. 12,556,000 received for Recurrent Expenditure. The growth of the financial result for the year under review by Rs. 11,682 had been contributed by the increase in the Government grant by Rs. 1,444,000.

2.2 Analytical Financial Review

Out of the expected objectives of the Council established under the Sri Lanka Press Council Act No. 5 of 1973, only the registration of newspapers had been carried out for a number of years. Nevertheless, an expenditure of Rs. 5,431,396 had been incurred in the year under review in addition to the personal emoluments to operate this Institute. But, the income received from the registration of newspapers had only been Rs. 61,350.

3. Operating Review

3.1 Performance

The following observations are made.

- a) Six activities included in the Action Plan for the year 2011 had not been carried out at all and only a single association had been registered under the activity for the registration of journalists associations.

The following clarification had been made by the Chairman of the Council in this regard.

“Most of the activities are carried out on the request of the second party. Ministry of Mass Media and Information and Department of Government Information also carry out certain activities similar to the ones being carried out by the Sri Lanka Press Council. The Sri Lanka Press Council has so far registered more than 100 Journalists Associations. As a large number of Associations have been registered so far, only new Associations are registered. “

b) Tasks Implemented Inadequately

In addition to the other provisions stated in the Section 8(6) of the Act for the establishment of the Council, one of the main objectives of the Council includes conducting research on the usage and requirements of the newspapers, consideration of new methodologies for the betterment of the general public and proposing the suitable remedial actions. The survey of newspaper readers launched to achieve this objective, had been confined only to prior organizing activities.

3.2 Management Inefficiencies

Following observations are made.

- a) In addition to the other provisions stated in the Section 15 of the Act on the establishment of the Council, publication of obscene , defamatory and unethical material in the newspapers is an offence and those who make such publications will be fined. However, it was observed that the mechanism in the Council to investigate

on those publications in the island and produce the culprits before the court was inadequate. Only a female investigation officer, who monitors only the Sinhala medium publications, is attached to this process at present.

The Chairman of the Council had made the following clarification in this regard.

“There is a difficulty in buying the publications by visiting the places such as, Fort, Maradana, and Armor Street where those publications are sold. In such instances, publications are bought by deploying an officer in the primary grade of the Council. “

- b) Provisions had been made as per the regulations imposed by the Council in terms of the Section 25 of the Act that registrations should be made and registration fees should be charged on the applications for registration submitted by the owners of the newspapers voluntarily. Accordingly, the number of newspapers registered during the year under review was only 165.
- c) The following management inefficiencies had been observed on the 2 Diploma courses for Mass Communication and an English Certificate Course that the Council had been conducting since the year 2010.
 - i. The expenditure incurred in the courses during the year under review was Rs. 823,655 whereas, the income was Rs. 245,000. Hence, the Council had borne an amount of Rs. 578,155 on the courses.
 - ii. Thirty five Students had attended the Certificate Course for English that had been commenced on 10 March 2011 and ended on 08 September 2011. Even though an amount of Rs. 525,000 should have been recovered as course fees, only an amount of Rs. 82,500 had been recovered.

3.3 Uneconomic Transactions.

Following observations are made.

- a) The construction of the stall at the Dayata Kirula exhibition had been awarded to the Salacine Institute without calling for quotations and payments amounting to Rs. 532,077 had been made.

- b) Even though the Press Council had been informed by the Additional Secretary of the Kandy district that the workshop for the provincial journalists planned to be held in Kandy in February 2011, could not be conducted on the said date, an expense of Rs. 14,497 had incurred in vein without conducting the workshop due to negligence.

3.4 Staff Administration

In terms of the Section 22 of the Act on the establishment of the Council, the duties of the Press Commissioner who is the Chief Executive Officer of the Council had been performed by the officers appointed regularly in acting capacity on the recommendations of the Ministry since 31 March 2010. Hence , the post of the Chief Executive Officer that should have been on full time basis had been remaining on acting basis since a long time. Furthermore, as per the Management Services Circular No. 30 dated 02 September 2006, procedure for recruitment and promotions of the Council had not been prepared and approval had not been obtained. Due to this reason, 6 main positions in the approved cadre of the Council had remained vacant since the commencement.

4. Accountability and Good Governance

4.1 Composition of the Board of Management

As per the Section 3 of the Sri Lanka Press Council Act No. 5 of 1973 on the establishment of the Council , action had not been taken to make amendments to solve the under mentioned issues on the appointment of Board of Directors.

- a) Non availability of legal provisions in order to facilitate the appointment of Treasury representatives with expertise in management, financial and administrative regulations and the provisions in the Circulars as members in the Council involved in decision making.
- b) As per the paragraph (b) of the Section 3 in the Act, one of the Board of Directors appointed by the President should represent the relationships with the employees in the newspaper industry. Though he must be selected out of the core groups not

exceeding 3 persons named by each Trade Union of those employees, the Act does not state how to fill the vacancy in case of absence of such a person.

4.2 Action Plan

Though An Action Plan had been prepared by the Council for the year 2011, the following weaknesses could be observed.

- a) Physical and financial targets of the activities planned to be carried out, had not been mentioned.
- b) The Action Plan had not contained the activity on the inquiry of complaints in which the Council is actively involved at present.
- c) Resources and durations required for the execution of each activity had not been identified.

Owing to the aforesaid weaknesses, the Action Plan could not be used as an effective mechanism for planning the performance of the Council.

4.3 Failure of the Board of Management to Monitor and Evaluate the Performance of the Institute.

In terms of the Section 4.2.2 of the Public Enterprises Circular No. PED/12 dated 02 June 2003, the Council had not reviewed the Corporate Plan, Budget and the performance in a timely manner in order to ensure that the actual performance of the Institute is achieved as planned and the necessary remedial actions are taken.

4.4 Internal Audit

AS per the Treasury Circular No's IAI/98/02 and IAI/2011/01 dated 3 August 1998 and 25 January 2011 respectively and the Section 13(5)(d) of the Finance Act No. 38 of 1971, attention had not been drawn on the requirement of reporting by conducting an

internal audit on the performance and the transactions of the Council during the year under review also.

4.5 Audit and Management Committees

In terms of paragraph 7.4.1 in the Public Enterprises Circular No. PED/12 dated 2 June 2003, Audit and Management Committee meetings of the Public Enterprises should be conducted at least for 4 times a year though, the Council had conducted only 2 such meetings during the year under review.

4.6 Procurement Plan

In terms of paragraph 4.21 of N.P.A. Circular No. 8 dated 25 January 2006, a Master Procurement Plan had not been prepared as a prior procurement action so as to verify the economy, efficiency and effectiveness in the procurement activities of the Council. It was observed that services and supplies required on daily basis had been obtained without planning in advance.

4.7 Budgetary Control

Significant variances were observed between the budgeted and actual income and expenditure thus indicating that the budget had not been made use of as an effective instrument of management control.

5. Systems and Control

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman from time to time. Special attention is needed in respect of the following areas of control.

- a) Conducting Diploma Courses and district workshops for journalists.
- b) Settlement of advances.