

## **Sri Lanka Press Council - 2021**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Sri Lanka Press Council (“Board”) for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and 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 Board as at 31 December 2021, 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**

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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**

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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 Board’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 Board or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Board 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 Board.

#### **1.4 Audit Scope**

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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 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 Board, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Board has complied with applicable written law, or other general or special directions issued by the governing body of the Board;
- Whether the Board has performed according to its powers, functions and duties; and
- Whether the resources of the Board 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 Standards

| Non Compliance with the reference to particular Standard                                                                                                                                                                                                                                                                 | Management Comment                                                                                                                                                                                                                                                                                                                 | Recommendation                                                                      |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| (a) As per the para 45 of Sri Lanka Public Sector Accounting Standards No. 01, although the each material class of similar items should be presented separately in the financial statements, the computers amounting to Rs.5,561,263 had been included in the office equipment class of Rs.10,772,996, the board had not | From the beginning onwards the board has recognized 4 assets categories.<br><br>According to that computers and equipments have included into office and welfare equipments asset class and the instructions were given to officers to act according to the standard. As per the standard the computer equipment should shown as a | As per the standard the computer equipment should shown as a separate assets class. |

separately shown those assets according to the standard. separate asset class.

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| <p>(b) As per the para 14(a) of Sri Lanka Public Sector Accounting Standards No. 07, although the cost of an item of property, plant and equipment shall be recognized as an asset if it is probable that future economic benefit or service potential associated with the item will flow to the entity, the plant and equipment of Rs.1,228,590 which was not physical available at the end of the year under review.</p> | <p>Due to the Covid pandemic situation, import restrictions, lack of raw materials &amp; Obstructions in clearance of goods, the suppliers were unable to deliver the goods on due date and funding was delayed.</p> <p>As the cash book should be closed on 31 December 2021 after writing the cheques relating to 2021, the Pro-forma Invoices have been taken from the suppliers and the cheques relating to these assets have been written &amp; kept in the board. So the assets have been added to the cost.</p> | <p>As per the standard, only the assets held by the institution at the end of the year should be shown in the financial statements.</p> |
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### 1.5.3 Accounting Deficiencies

| Audit Issue                                                                                                                                                                                    | Management Comment                                                                                                                                                                                                             | Recommendation                                         |
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| <p>(a) The research allowance arrears of Rs.401,730 should be payable to the University of Sabaragamuwa on behalf of the Chairman of the Board had not been accounted as accrued expenses.</p> | <p>Due to the uncertainty about made payment this expense had not been categorized as accrued expenses and the instructions were given to officers to present according to correct and appropriate accounting methodology.</p> | <p>Accrued expenses should be accounted correctly.</p> |

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

| Reference to Laws, Rules, Regulations etc.                   | Non-compliance                                                        | Management Comment                                          | Recommendation                                                                              |
|--------------------------------------------------------------|-----------------------------------------------------------------------|-------------------------------------------------------------|---------------------------------------------------------------------------------------------|
| <p>(a) Section 40(1) of National Audit Act No.19 of 2018</p> | <p>The Internal Audit Division had not been operated and the post</p> | <p>It was informed to Department of Management Services</p> | <p>As per the section 40(1) of the National Audit Act No. 19 of 2018, an Internal Audit</p> |

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|                                                                                                                                                                                  | <p>of Internal Auditor had not been included in the approved carder of the board.</p>                                                                                                                                                                                                             | <p>to approve an Internal Audit Post. At the Audit and Management Committee meeting it was informed to do the internal audit activities through the internal audit division of the Line Ministry. So this request has been made to the Line Ministry in written.</p>                                                                   | <p>Division should be operated.</p>                                                                   |
| <p>(b) 16.46(i) (c) of cabinet decisions 20/wiwidha (064) dated on 13 October 2020</p>                                                                                           | <p>Although after ending the sabbatical leave of the Chairman who was a university lecture, contrary to the cabinet decision, the board had paid Rs.404,032 as Chairman's salary related for the period from 20 January 2021 to month of June.</p>                                                | <p>As defined in the cabinet decisions paper No. 20/1468/340/002 dated on 13 October 2020 full allowance had been made during that period and after receiving the answers to the letter send to the Department of public Enterprises regarding paying the full allowance , 50% of allowance had been paid as per the given answer.</p> | <p>Should act according to the Cabinet Decision.</p>                                                  |
| <p>(c) Paragraph 1 of the letter No.CA/1/17/1 of the President Secretary Office dated on 14 May 2010 and direction 7 of the committee on Public Enterprises on 10 July 2012.</p> | <p>Although the office of the board to accompany in a government building, the board has been functioning its operations in private buildings which were rented out since 22 years from the commencement and Rs.29,768,800 had been paid for building rent from 2010 up to year under review.</p> | <p>The Ministry has given advices to held the office in the current bulding on the base of giving space after ending the development activities in "Visumpaya" Place.</p>                                                                                                                                                              | <p>The follow up activities should be done regarding to get an office space in "Wisumpaya" place.</p> |

## 2. Financial Review

### 2.1 Financial Result

The operating result of the year under review amounted to a loss of Rs.3,381,172 and the corresponding profit in the preceding year amounted to Rs3,973,060 Therefore an deterioration amounting to Rs7,354,233 of the financial result was observed. The main reasons for the deterioration is increasing salaries and wages by Rs.6,242,193.

## 3. Operational Review

### 3.1 Management Inefficiencies

#### Audit Issue

Although, a system is in existence to investigate the newspapers published daily in accordance with the code of ethics published in the Extra Ordinary Gazette Notification No.162/5 A of 14 October 1981 relating to journalists, a limited number of investigation reports had been furnished with compared to the newspapers published. Reasonable attention had not been paid by the Board of Directors to take follow up actions with regard to the code of conducts as included even in such investigation reports.

#### Management Comment

During the year of 2021 due to the Covid pandemic situation, issuing only the e newspapers by some of news paper institutes was caused to decrease number of the investigation reports. The Board of Directors will pay more attention to this in the future.

#### Recommendation

The Board of Directors should pay adequate attention to the investigation reports and the necessary evaluations on compliance.

### 3.2 Operational Inefficiencies

#### Audit Issue

(a) Actions should be taken by the board against newspapers and editors interms of the section 09 of the Press Council Act. The total number of complaints during the year under review was 102, including 33

#### Management Comment

As soon as a complaint is received an investigation is called within two weeks and as per the regulations the investigation is started within another two weeks. Investigation getting postponed due to the

#### Recommendation

Actions should be taken immediately to provide solutions for newspapercomplaints.

complaints received and 69 reasons of defendants and unresolved complaints in 2020 respondents to obtained dates for and 37 complaints from that had further investigations, being investigated by the end of summoning of witnesses as required by the investigation the year under review. delays due to changes in management of newspapers institutes and intermittent attendance of plaintiff & respondent parties.

Investigation getting delay although investigations have been initiated in some complaints, Complaints have not been submitted formally, keep aside the complaint by considering that the complaint has no interest, stopping further investigations related to the complaints continued non participation and other uncontrollable reasons.

(b) Formulates the rules & regulations in terms of the section 30 of the Press Council Act. No action had been taken to formulate the necessary rules and regulations regarding newspapers issued to the market without being registered. According to His Excellency the President's Prosperity Vision Policy Statement, the Press Council Act, which is limited to newspapers, is being restructured to cover both electric and social media also. According to that rules & regulations will be prepared to cover all the medias such as printed medias, electronic medias and social medias.

The Board should take action to investigatenewspapers sold without registration.