

## **Associated Newspapers of Ceylon Limited - 2023**

---

### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Associated Newspapers of Ceylon Limited for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of comprehensive income, 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. 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 Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards for Small and Medium-sized Entities.

#### **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 Accounting Standards for Small and Medium-sized Entities, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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

#### **1.4 Audit Scope (Auditor's responsibility regarding the audit of 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:

- 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 and Group'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 Company and the Group, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Company has complied with applicable written law, or other general or special directions issued by the governing body of the Company;
- Whether the Company has performed according to its powers, functions and duties; and
- Whether the resources of the Company had been procured and utilized economically, efficiently and effectively within the time frames and in comply with the applicable laws.

## **1.5 Audit Observations on the Preparation of Financial Statements.**

### **1.5.1 Non- compliance with the Sri Lanka Accounting Standard for Small and Medium-sized Entities**

<b>Non- compliance with the reference to particular Standard</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
<b>(a)</b> Although the financial reporting framework of the Company should be Sri Lanka Accounting Standards in terms of Section 5 of the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and Extraordinary Gazette No. 1074/7 dated 07 April 1999, the Company had adopted the Sri Lanka Accounting Standards for Small and Medium - sized Enterprises as its financial reporting framework.	The financial reporting framework of the Company has been decided and accounts have been maintaining since 2011 in terms of Part 1 of Sri Lanka Accounting Standard for Small and Medium-sized Entities.	Sri Lanka Accounting Standards should be followed.
<b>(b)</b> Since the employee compensation of Rs 194,384,324 paid from the sale of the Company's equity investments had been recognized as an expense incurred from the government grant received in the year under review, in contrary to Paragraph 24.4 (b) of Section No. 24 of Sri Lanka Accounting Standards for Small and Medium -sized Entities, other income in the year under review had been overstated and trade and other payables in the statement of financial position as at the end of the year under review had been understated by the same amount.	Voluntary Retirement Scheme started in the year 2022 and payments have been made in 2023. Accordingly, increase/ decrease in other income and other payable items is not shown.	Government grants should be properly identified and accounted for in accordance with the Accounting Standard.
<b>(c)</b> The value of uncorrected accounting errors in the year under review, which was pointed out by the audit relating to the financial statements of the year 2022, was Rs.180,651,650 in terms of Paragraph 10.21 of Section No.10 of Accounting Standards for Small and Medium - sized Entities.	The related adjustments amounting to Rs.455,715 will be made in the year 2024. A sum of Rs.180,195,935 has been identified accurately in the year 2023.	Adjustments should be made in accordance with the applicable Accounting Standard.

- |   |  |   |
|---|--|---|
| <p><b>(d)</b> Although computation of deferred tax liability/ (asset) as at the end of the year under review shall be computed at the rate of 30 per cent tax, in terms of Paragraph 29.27 of Section No. 29 of Accounting Standards for Small and Medium - sized Entities because of the Company had calculated under the tax rate of 28 per cent in contrary to that, there was a difference of Rs.6,282,000 between the deferred tax asset to be existed as at the end of the year under review and the deferred tax asset as per the schedule. Further, although the relevant tax rate for the Company should be stated as 30 per cent in notes No. 11 and 28 to the financial statements, it had been stated as 28 per cent.</p> | <p>As there is a loss before tax in the relevant year no impact to financial statements.</p>   | <p>Taxes should be calculated by accurately identifying the tax rate applicable to the Company.</p>                                 |
| <p><b>(e)</b> Due to the recognition of only Rs. 1,456,000 which was half of the value of the assets under computer and equipment installations that had used since June in the preceding year amounting to Rs.2,912,000 in contrary to Section 17.20 of Paragraph 17 of the Accounting Standards for Small and Medium - sized Entities, the opening balance of the asset in the year under review had been understated by that amount. Further, due to under-recognition of depreciation expense of the asset, the profit of the preceding year had been overstated by Rs. 212,333 and the depreciation of the year under review had been understated by Rs 60,666 .</p>   | <p>As it was physically received in the year 2022 and used for operations, provisions for depreciation have been made. As there was a technical problem, capitalization of the amount of 50 per cent was not made.</p> | <p>Depreciation provision should be made in accordance with the Accounting Standard.</p>  |
| <p><b>(f)</b> The total value of the errors related to the previous period in bank loan interest, bank charges, assessments, lease loan interest and depreciation expenses etc. of the Company is Rs.3,014,489 had not retrospectively adjusted in the financial statements in terms of Paragraph 10.21 of Section 10 of Accounting Standard for Small and Medium - sized Entities.</p>   | <p>Some items included in this value are not material for prior year adjustments and the total value of the impact on profit in that document is Rs.17,211 .</p>   | <p>When correcting errors relating to the prior periods, they should be adjusted according to the Accounting Standards.</p>         |
| <p><b>(g)</b> Even though the Company had been ordered to pay Rs. 513,500,000 compensation as per the order of the District Court from the compensation claims related to defamation cases filed against the Company as at the end of the year under review, only a provision of Rs. 13,500,000 was made as full compensation, Only 0.4</p>   | <p>As an appeal is being heard in the Supreme Court for defamation case of Rs. 500 million and if provision is needed in the future, necessary actions will be</p>   | <p>The disclosure on contingent liabilities should be made in the financial statements in compliance with Accounting Standards.</p> |

per cent (0.004) that is Rs. 200,000 provision had been made for the compensation of Rs.500,000,000 ordered to be paid in relation to one defamation judgment. Further, even though the Company had filed an appeal case in the Supreme Court challenging to this order, the case had not been heard yet. Due to the failure of allocating of Rs. 498,000,000 which should be further allocated as per the above order of the District Court, it could not be ruled out in audit that the possibility of the Company's going concern being at risk. Further, even a disclosure of this compensation of Rs.500,000,000 had not been made in the notes to the financial statements in terms of 21.14 (b) of Paragraph No. 21 of Sri Lanka Accounting Standards for Small and Medium – sized Entities.

taken by considering its progress.

- |     |  |   |   |
|-----|--|---|---|
| (h) | Due to failure of recognition of financial liability on transaction cost as per Paragraph No. 11.13 of Sri Lanka Accounting Standards for Small and Medium - sized Entities No. 11, creditors (foreign) balance as at the end of the year under review had been understated by Rs.642,925 in the financial statements. | Steps will be taken to avoid such errors in the future. | The accurate value should be identified and shown in the financial statements |
|-----|--|---|---|

### 1.5.2 Accounting Deficiencies

Audit Observations	Comments of the Management	Recommendation
(a) Although the total of bank loans paid and lease instalments paid under financial activities in the statement of cash flows for the year under review as per the calculation of the audit were Rs. 77,559,204 and Rs. 6,299,234 respectively, thus they were Rs. 78,725,804 and 6,631,273 respectively as per the calculation of the Company, the bank loans and lease installments paid in the year under review, had been overstated by Rs 1,166,600 and Rs 332,039 respectively.	As bank loan interest and lease instalments have been accounted for in the year 2023, corresponding adjustments have been made in the statement of cash flows.	Cash flows from financial activities should be recognized accurately.
(b) Although the interest income received in cash and the building rent income received in cash under investment activities in the cash flow statement of the year under review were Rs.83,166,673 and Rs.76,935,000 respectively according to the	Interest income received consists of withholding tax of Rs 3.8 million and a loss of Rs. 2.4 million due to early withdrawals. As these 2 items	Cash flows from investments activities should be recognized accurately.

calculation of the audit, thus those items were Rs. 89,478,835 and Rs. 82,294,000 respectively, according to the calculation of the Company, the interest income received in cash and the building rental income had been overstated by Rs.6,312,163 and Rs.5,358,000 respectively.

related to fixed deposits have been categorized under investment activity and the reason for this difference in the rental income received is the inclusion of withholding taxes.

- |   |  |   |
|---|--|---|
| <p>(c) Although the interest expense paid under operating activities in the cash flow statement of the year under review was Rs. 65,452,270 as per calculation of the audit, thus it was Rs.63,835,035 as per the calculation of the Company, the interest expense paid had been understated by Rs.1,617,235. Further, the loss of Rs. 2,439,657 occurred due to the withdrawal of fixed deposits before maturity during the year under review had not been adjusted to profit before tax under operating activities and although the changes in trade and other payables under changes in working capital was Rs. 74,670,000 as per the calculation of audit, since the value stated by the Company was Rs. 77,861,000, the change in trade and other payables had been overstated by Rs.3,191,000 .</p> | <p>As bank loan interest and lease instalments have been brought to accounts for the year 2023, the relevant adjustments have been made in the statement of cash flows and the loss occurred after the maturity has been classified and shown under investment activities.</p> | <p>Cash flow statement should be accurately prepared by identifying expenditure flows accurately.</p> |
| <p>(d) Interest income in respect of 05 fixed deposits as at the end of the year under review had been understated by Rs. 658,584 .</p>   | <p>Relevant adjustments will be made in this regard in the future.</p>   | <p>Interest income should be accurately recognized and accounted for.</p>                             |
| <p>(e) Due to the fact that the cheque valued at Rs. 517,822 had been issued for gratuity payments to an employee who had been terminated his service in the year 2022 was not submitted to the bank, since gratuity allocations had not been made for that employee at the end of the year the gratuity liabilities had been understated by that amount.</p>   | <p>Gratuity has been paid for the respective employee and therefore, there is no need to make provisions for gratuity again.</p>   | <p>Gratuity provisions should be made.</p>  |
| <p>(f) Direct remittances totalled to Rs 13,950,096 had been accounted for during the year under review as miscellaneous income without doing a proper identification .</p>   | <p>Necessary works will be done furthermore to obtain accurate information from customers regarding direct remittances.</p>  | <p>A method of identifying direct remittances should be introduced.</p>                               |

- (g) The income of Lake House Media Academy under sundry income as at the end of the year under review was Rs.1,184,509 and since Rs. 1,340,015, which was the sum of resource contributions and other expenses related to programs, diplomas and various courses held in this academy, was offset against that income, it had not been identified as a profit centre when accounting for Lake House Media Academy. It will be accounted for by identifying as a profit centre in the year 2024. It should be accounted for by identifying as profit centres.

### 1.5.3 Unreconciled Control Accounts or Records

Item	Value as per the financial statements Rs.	Value as per corresponding reports Rs.	Difference Rs.	Comments of the Management	Recommendation
Failure to take actions to identify the reasons related to differences between the physical stock balance and the balance as per stock ledger in respect of 16 stock items and rectify	219,688,469	214,351,484	5,336,985	Necessary actions will be taken to make corrections in relation with these differences in the stock during the year 2024 .	Differences in the stock should be accurately identified and the adjustments should be made.

### 1.5.4 Preparation of Consolidated Financial Statements

Audit Observations	Comments of the Management	Recommendation
Even though the balance payable by the Company in the current account of the Subsidiary Company amounted to Rs 18,637,747, as at the end of the year under review should be mentioned under trade and other payables, as the balance was offset against trade and other receivables, trade and other receivables and trade and other payables of the Company had been understated in the financial statements by that amount.	Actions are being taken to be classified as a current liability in the next financial year.	Trade and other receivables and payables of the subsidiary company should be accurately mentioned.

### 1.5.5 Lack of Written Evidence for Audit

<b>Item</b>	<b>Amount</b>	<b>Unavailable Audit Evidences</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) Remuneration and allowances paid to the Board of Directors including the Chairman	Rs. 43,342,795	Details related to verification of paid remuneration and allowances	The pay slips of the Chairman and the Board of Directors of the Company have been submitted to the Audit Office on 25 August 2023.	Even though it had been submitted for audit on 25 August 2023 the information relating to confirmation of payments relating to the balance of the financial statements should be provided to the audit within the stipulated time.
(b) Other Provisions	Rs. 4,252,100	Relevant evidence to get confirmed the payments made during the year under review	In addition to the payments made, this also includes adjustments and reservations. Evidence related to payments has been provided to audit.	Information required to confirm the value of the schedule should be provided to audit.
(c) Payments of Rents	Rs. 4,016,300	Rental agreements of 02 vehicles for which transportation facilities are received on rental basis	Necessary steps have been taken to prepare and sign the agreements regarding 2 related vehicles.	Information required to confirm payment should be given to audit.



## 1.6 Accounts Receivable and Payable

### 1.6.1 Accounts Receivable

Audit Observations	Comments of the Management	Recommendation
<p>(a) Because of, 694 debtors aggregating to Rs.593,107,986 have not responded out of 748 debtors who had been sent letters of confirmation amounting to Rs.635,440,585 from the total debtors in the year under review, 93 per cent of outstanding balances were not confirmed in the statement of financial position. Further, out of the debtors who had responded, only 14 debtors amounting to Rs. 6,331,424 had agreed with the debtor balance of the Company and the balance disagreed was Rs.31,026,124. Out of those 30 disagreed debtors only 10 had given cheques amounting to Rs.3,771,747 as at the end of the year under review. Accordingly, 60 per cent of the debtors responded had disagreed with the debtor balance of the Company and only 14 per cent had agreed.</p>	This situation is beyond our control.	The Management should take actions to recover the debts.
<p>(b) Actions had not been taken to recover the balances aggregating to Rs. 6,359,729 that had not been recovered from 01 to 25 years from 17 employees who had left the Company due to retirement, termination of service or death as at the last day of the year under review.</p>	Recoveries are being done by referring to the Legal Division to implement recovery activities by law.	Actions should be taken to recover the debts promptly.
<p>(c) The Company had provided publications of the Company to Government Ministries, Departments, Corporations and various parties on a subscriber basis and there were 132 debtors who had exceeded 02 years totalled to Rs. 7,038,276 within the balance of Rs. 16,423,365 receivable at the end of the year under review.</p>	Most of the outstanding loan balances have been recovered and recoveries are also being made in relation to the existing balance.	Actions should be taken to recover the debt balances.
<p>(d) Actions had not been taken even by the last day of the year under review to recover the balance of Rs. 2,209,560 shown as a receivable balance from the year 2014 belonging to the Divineguma Development Department, which became the Samurdhi Development Department from the year 2017.</p>	A number of 192665 copies of Budhusarana newspapers were given in the year 2014, at the request of Samurdhi Authority and an amount of Rs.2,400,000 has been received from that value. The remaining amount has not yet been received and a provision for bad debts has been made in this regard.	Actions should be taken to recover the debts promptly.

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

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Paragraph No. 2.6 of the Guidelines for Good Governance in Government Owned Companies	Although the position of Secretary to the Company in an organization should be maintained independently, the officer holding the position of Company Secretary herself had been appointed in contrary to that to look after the position of Head (Legal) of the Company.	The Secretary of the Company who works as a lawyer has been appointed without making a new recruitment for the post of Head of Legal Division.	The post of the Secretary of the Company should be independent.
(b) Section 38 (1) (e) of the National Audit Act No. 19 of 2018	Although the Accounting Officer of the institution is responsible for providing answers to all audit queries within a specified time limit as required by the Auditor General, actions had not been taken to provide answers by 08 August 2024 for 06 audit queries issued from 10 November 2023 to 05 April 2024 .	Actions will be taken to provide responses to audit queries on time.	Actions should be taken in terms of the Audit Act.
(c) Public Enterprises Circular PED 01/2021 (i)	Without obtaining the approval of the Audit and Management Committee, the debtor balance of Rs 859,032 had been written off during the year under review, based on the decision of the Board of Directors No. Bp.331 – 34/23 only.	The approval has been given by the Decision of Board of Directors No. BP 331-34/23 only debtors relating to returned cheques less than Rs.25,000 from Rs.1,588,832/= of the debtor value.	The approval of the Audit and Management Committee should be obtained as per the Circular.
(d) Section 13 of the Payment of Gratuity Act No. 12 of 1983	Although a labour shall be deprived of gratuity to the extent of the loss or damage caused by him, gratuity payment of Rs. 3,761,385 had been made without taking any action by the Company to recover the financial loss of Rs. 18,719,995 caused to the	According to an agreement entered into with the Management of the Company and Former Head of Marketing, it was revealed that an amount equal to the gratuity to which he entitled has been paid on the instructions of	Actions should be taken to recover financial loss.

Company due to the deviation of responsibilities of the former Head of the Marketing of the Company.

the Management on an agreement entered into by him to withdraw from the proceedings filed against the Company before the Labour Tribunal and the Labour Office.

## 1.8 Cash Management

### Audit Observations

Due to the poor financial management of the Company, actions had been taken to withdraw 3 fixed deposits valued at Rs.88,553,368 invested for a period of one year before the due date of maturity during the year under review and as a result, an interest income of Rs. 2,694,317 had been lost.

### Comments of the Management

The 3 relevant fixed deposits had to be released before maturity for the payment of gratuity to employees who had retired voluntarily in the year 2023 .

### Recommendation

The Management should pay attention on opportunities to earn higher returns through short-term investments.

## 1.9 Non-compliance to Tax Regulations

### Audit Observations

Although 10 per cent withholding tax on vehicle rental is subject to deduction, in terms of No.1 and No. 4 of Inland Revenue Department Circular No. SEC/2022 /E/03 dated 23 December 2022 and Circular No. SEC/2023/E/01 dated 14 February 2023 respectively, rental payments had been made without deducting withholding tax of Rs.389,288 from vehicle rental payment of Rs.3,892,886 made during the year under review.

### Comments of the Management

These payments are made for transportation services received and not for vehicles obtained on lease basis. Therefore, the procedure for payment of transport charges as defined in Paragraph 3 of Inland Revenue Department Circular No. SEC/2023/01 dated 14 February 2023 is applicable for these transportation charges.

### Recommendation

When paying rents withholding taxes should be deducted.

## 2. Financial Review

### 2.1 Financial Results

The operating result of the year under review was a profit of Rs.31,365,000 and the loss of the preceding year as against to that was Rs.197,358,000. Accordingly, a growth of 228,723,000 was observed, in the financial result. The government grant received for voluntary retirement scheme had mainly attributed for this growth.

When comparing the previous year with the year under review, the sales and other income had increased by 19 per cent and 96 per cent respectively and although the administrative expenses had increased by 5 per cent, the distribution expenses and financial expenses had decreased by 7 per cent and 16 per cent respectively.

## 3. Operational Review

### 3.1 Uneconomic Transactions

<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
The Company had spent an amount of Rs. 1,200,000 to buy 1200 shares of Lankapuvath Limited in December 2008. However, no benefit whatsoever had been received even by 31 December 2023 .	Lankapuvath Company, which is under the Ministry of Media, is a non-operating company since 2014.	Investments should be made as benefits received.

### 3.2 Management Inefficiencies

<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
a) An approved set of guidelines had not been introduced even by now regarding the publication of newspaper advertisements, which were the main source of income of the Company and it had not been implemented by preparing a recognized system for giving discounts to advertisements and having an approval from the Board of Directors.	The process of posting advertisements happens as per the methods adopted over the years and arrangements are being made to update it and implement a code of policies and guidelines related to publishing of advertisements before 31 August 2024 .	A code of guidelines should be introduced in relation to publication of newspaper advertisements.

- |     |   |  |   |
|-----|---|--|---|
| (b) | Even though Lake House Property Development (Private) Company had been established to engage in property development business in the year 1985, no operational activities whatsoever had been carried out during the year under review. | This company is currently in an inactive condition. However, actions are being taken to enable and run this in the future. | Operational activities should be initiated.                             |
| (c) | There was an outstanding balance of Rs.1,800,000 which was for more than three years old in the tender deposit account as at the end of the year under review.  | As there is a tax issue with the Inland Revenue Department this balance should be maintained until it is resolved.         | Actions should be taken to resolve issues promptly and settle balances. |

### 3.3. Operational Inefficiencies

<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
<p>The Company had published advertisements valued at Rs. 21,357,080 with 03 institutions without entering into valid countertrade agreements during the year under review and the agreement was reached with the Sri Lanka Television Corporation from the two organizations for the publication of counter-advertisements for the year under review, 03 days before the expiry of the validity period of the agreement and advertisements amounting to Rs.1,815,925 had been published exceeding the agreed value in the countertrade agreement made with another private media company. The Company had published advertisements valued at Rs. 18,595,910 in the years 2021 and 2022 without a counter-trade agreement with the Independent Television Network and details related to the value of advertisements used by the Company in other media organizations under counter-trade agreements during the year under review were not submitted to audit.</p>	<p>If advertisements have been published exceeding the contract values in the year 2023, actions will be taken to check the same and get approval of the Board of Directors for the respective values and a series of instructions have been issued to the respective officers in order to carry out a more streamlined management of counter-trade agreements in the future.</p>	<p>The Management should take actions to formally carry out the counter-trade agreement.</p>

### 3.4 Idle, or Underutilized Property, Plant and Equipment

<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
The 8 acre land in Hokandara, which was purchased in 1985 for the construction of a housing scheme and revaluated at Rs. 733,000,000 in 2021 had remained in idle since the date of purchase.	Necessary arrangements are being made to effectively use the 8 acres of land in Hokandara area.	Investments should be made effectively in accordance with the objectives of the organization.

### 3.5 Human Resources Management

<b>Audit Observations</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
Out of 07 policies related to human resource management prepared by paying Rs.3,150,000 to a human resource consultant in the year 2017, six policies had not been approved by the Board of Directors and once again the same consultant was recruited on contract basis for the same work and a sum of Rs. 1,151,250 had been paid as consultant fees from November 2022 to June 2023 . Further, the Board of Directors had decided in the year 2021, to prepare the Scheme of Recruitment of the Company and the approved cadre from a private human resource management agency at a cost of Rs. 1,300,000 during the same time as the service of this Human Resource Consultant was being obtained and the Human Resource Management Policy 06, Scheme of Recruitment and the approved cadre had not been prepared even as at the last day of the year under review.	Obtaining the services of a consultant on a monthly payment basis, in the year 2017 to prepare a method of evaluating the performance of employees and she has successfully completed the task during that time.	Human Resource Management Policy, Scheme of Recruitment and Approved Staff should be prepared and the approval should be obtained.

#### 4. Accountability and Good Governance

##### 4.1 Corporate Plan

###### Audit Observations

As agreed in the Memorandum of Understanding with the Ministry on 23 June 2023 to obtain a government grant of Rs. 300,000,000 related to the Voluntary Retirement Scheme of the employees of the Company. The plans to be submitted to the Ministry of Mass Media by 31 December 2023 the Corporate Plan, Strategic Plan, Action Plan, Organizational Structure, Departmental Structure, the number of posts and the number of employees had not been presented and even though the agreed conditions had not been fulfilled, expenditure related to retirement of employees had been incurred from the government grant received.

###### Comments of the Management

The Action Plan, Organizational Structure, Departmental Structure, posts to be retained and number of employees have now been submitted to the Ministry of Mass Media. Arrangements have been planned to send the draft of the Corporate Plan of the institution which has been prepared and completed to the Ministry before the end of May 2024 after receiving the approval of the Board of Directors.

###### Recommendation

Actions should be taken as per terms agreed by the Management.