

Sri Lanka Press Council - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Press Council for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the 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 material accounting policy 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 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 Council as at 31 December 2023, 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

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 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 Council'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 intends to liquidate the Council or to cease operations, or has no realistic alternative but to do so.

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

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

1.4 Auditor's Responsibilities for the Audit of the 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 skepticism 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 Council's 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 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 Council'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 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 Council and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Council has complied with applicable written law, or other general or special directions issued by the governing body of the Council,
- Whether it has performed according to its powers, functions and duties; and
- Whether the resources 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 Accounting Policies

Audit Observation	Comments of the Management	Recommendation
Although on disposal of an asset, the revaluation reserves related to that asset should also be adjusted on disposal of the asset as per Accounting Policy No. 2.1.1 of the Council, the Council had shown revaluation surplus of Rs.119,680 relating to computers removed during the year under review under revaluation reserves without being adjusted.	Revaluation reserves relating to disposed assets will be corrected as per accurate accounting policies.	Actions should be taken to adjust revaluation reserves as per Accounting Policies.

1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Although there was a debit balance of Rs.896,081 in the capital grant account received from the Treasury in the statement of financial position as at the end of the	A debit balance is shown in the government capital account due to not receiving government capital grants in the year 2023. Actions will be taken to correct in the	The capital grants should be accurately accounted for.

year under review, there was a difference of Rs.5,082,163 due to the fact that the balance was a credit balance of Rs.4,186,082 as per the calculations of the audits. future.

- (b) As a result of the refundable deposit of Rs.25,000 paid to the Central Bank of Sri Lanka for obtaining hall facilities for the anniversary function of the Council during the year under review had been accounted for as an expense in the year under review without recognizing under current assets as refundable deposits receivable, the refundable deposits receivable and profit had been understated by that value in the year under review .
- The refundable deposit receivable amounted to Rs.25,000 has been mistakenly adjusted to the Fund of the Council. Actions will be taken to correct it. This amount was received in January 2024 .
- Current assets should be accurately identified and accounted for.
- (c) An expenditure of Rs.87,100 had been incurred for 52 T-shirts from the funds of the Council by taking the priority to the diploma course students and although money had been received from the students for 45 T-shirts, the stock balance of Rs.11,725 related to the remaining 07 T-shirts had not been shown in the financial statements.
- As the remaining quantity of t-shirts will be given to the respective students in the future, the relevant cost has not been identified as inventory. Corrections will be made in the accounts in the future.
- Stocks in hand should be accurately identified.

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

	Reference to Laws, Rules, Regulations etc.	Non – compliance	Comments of the Management	Recommendation
(a)	Section 25 of Sri Lanka Press Council Act No. 05 of 1973	The e-journalism has grown steadily with technological advancements and the Council had not taken actions to amend the provisions of the Act regarding the registration of newspapers.	Approval has been received to start a transmission authority in relation to electronic media. The Sri Lanka Press Board Act will be amended accordingly.	Actions should be taken for the amendments to be made in due course in relation to the Press Council Act.
(b)	Section 26 of Sri Lanka Press Council Act No. 05 of 1973	Although the printer and publisher of every newspaper shall cause to be delivered at the office of the Commissioner a copy of such newspaper and of every subsequent and other varied edition or impression of such newspaper so printed or published, since that has not happened, the Council had to incur an additional expenditure of Rs.532,900 to obtain newspapers and magazines from the year 2019 to the year 2023 .	Although the newspaper editors and Legal Divisions had been notified in writing and verbally on various occasions, as it is not possible to deliver on time due to increase in printing cost, transportation cost, one copy is purchased.	Actions should be taken in terms of the Act.
(c)	Section 30 of Sri Lanka Press Council Act No. 05 of 1973	Actions had not been taken to make rules and regulations necessary to deal with newspapers released to the market without being registered.	A Committee headed by the Secretary of the Ministry was appointed as per decision of Cabinet of Ministers dated 12 January 2021. The Act is being amended.	Rules and orders should be made in terms of the Act.

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- (d) F.R. 104 (1), (3), (4) It had elapsed more than 03 months to appoint a Board of Inquiry regarding the three-wheeler accident on 01 February 2023 and actions had not been taken to provide an Preliminary Report on Damages. A Full Report regarding damages had not been submitted up to 19 June 2024 in terms of General Format 284. Actions will be taken to submit within a specified period in such situations in the future . Actions should be taken in respect of losses in terms of Financial Regulations.
- (e) F.R. 751 and 754 The Council had shown only opening balances in the inventory books during the year under review and the receipts, issuance and balances of the year had not been shown at the end of the year under review. The stock balance physically received without stock reconciliation record had been shown in the financial statements. As the activities are done by a limited staff the problems have occurred when updating the inventory registers. Documents should be updated in terms of Financial Regulations.
- (f) F.R. 756 (6) Although a Board of Survey should be appointed on or before 15th December every year, the Board of Survey to be appointed in relation to the year 2023 had not been appointed. As there is a shortage of about 10 officers, the appointment of the Committee was delayed. Actions should be taken to furnish Board of Survey Reports in terms of Financial Regulations.

even by 10 January 2024
and the Board of Survey
Report for the year 2023
had not been submitted
even by 19 June 2024 .

2. Financial Review

2.1 Financial Result

The operating result for the year under review amounted to a surplus of Rs.363,321 and the corresponding surplus in the preceding year amounted to Rs.1,653,226. Therefore, a deterioration amounting to Rs.1,289,905 of the financial result was observed. The reasons for deterioration were the decrease of government grant by Rs.960,000 and increase of utility costs by Rs.1,328,688 and other operational costs by Rs.669,957.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) The Council had purchased sets of school equipment valued at Rs.316,837 to be given free of charge to the children of journalists in the year 2023 and 13 sets of school equipment valued at Rs.72,330 purchased in the year 2021 and 02 sets of school equipment valued at Rs.7,455 purchased in the year 2023 had remained in the stores even by 17 May 2024, the date of audit.	Thirteen equipment sets in 2021 and 02 sets in 2022 totalling to 15 sets have remained due to absence of journalists.	Actions should be taken to distribute the respective school instruments.
(b) The total number of complaints against news papers during the year under review was 71, including 48 complaints received from the public and various institutions and 23 pending complaints in the year 2022 and out of	There is a possibility of delay in the investigation due to various causes of delays in carrying out the inspection activities and non-implementation due to various reasons as well as due to	Actions should be taken to expedite the investigations.

these, 16 complaints were uncontrollable reasons. still being investigated even at the end of the year under review.

3.2 Idle or Underutilized Property, Plant and Equipment

Audit Observation	Comments of the Management	Recommendation
A new unopened laptop computer with a usable value of Rs. 365,668 included in the register of fixed assets of the Board had remained underutilized since December 2021.	The laptop has been obtained for live programming. It was advised to use it without keep it in idle.	The computers purchased should be utilized for programmes required.

3.3 Vehicle System Management

Audit Observation	Comments of the Management	Recommendation
Only a sum of Rs. 237,552 had been covered by the insurance company by the date of audit to repair the three wheeler owned by the Council and , the Council had paid Rs.576,654 by 23 July 2024 without taking actions to recover a sum of Rs.339,102 from the responsible parties	This vehicle has been handed over to the Sri Lankan agent company for repair after the accident. It was delayed due to a problem with the insurance company. Accurate estimates have been prepared and the payments were made.	Actions should be taken to recover the loss occurred to the Council from the responsible parties.

4. Accountability and good governance
4.1 Presentation of financial statements

Audit Observation

Although the financial statements should be submitted to the Auditor General within 02 months after the end of the financial year in terms of Section 16(2) of the National Audit Act No. 19 of 2018 and Section 6.6 of the Operational Manual for Public Enterprises as referred to in the Public Enterprises Circular No. 01/2021 dated 16 November 2021, the Board had submitted the financial statements for the year under review on 15 May 2024 .

Comments of the Management

The presentation of accounts for the year 2023 was delayed due to the requirement to shift the Sri Lanka Press Council building in a new building.

Recommendation

Actions should be taken to submit accounts in due time in terms of National Audit Act and Circular.