

Sri Lanka Press Council

Annual Report and Statement of Accounts

01st January, 2015 – 31st December, 2015

Sri Lanka Press Council,
No. 155/15, Castle Street,
Colombo 08,
2015.

The Hon. Minister of Mass Media and Information,
No. 163, Kirulapone Mawatha,
Colombo 05.

Honourable Minister,

Annual Report – 2015

In terms of Section 20 of Sri Lanka Press Council Law, No. 5 of 1973 and Section 14 of the Finance Act, No. 38 of 1971,
I have honour to forward herewith under mentioned reports of the Sri Lanka Press Council:

1. The Report of the work done by the Council for the period from 01st January to 31st December, 2015 and the policy and programme of the Council;
2. A copy of the statement of accounts for the period; and
3. The report of the Auditor – General.

Yours faithfully,

.....
Koggala Wellala Bandula,
(Attorney - at - Law)
Chairman,

**ANNUAL REPORT OF THE SRI LANKA
PRESS COUNCIL FOR THE YEAR 2015**

SRI LANKA PRESS COUNCIL

Sri Lanka Press Council was established in terms of the Sri Lanka Press Council Act, No. 5 of 1973 under the Ministry of Mass Media and Information and it's a Statutory Board.

The objectives of the Sri Lanka Press Council are-

- (1) to ensure the freedom of the Press in Sri Lanka,
- (2) to prevent misuse of the freedom,
- (3) to ensure the general public to aware correct information.

Sri Lanka Press Council was situated at No. 155/15, Castle Street, Colombo 08 from 01.01.2012.

01. Composition of the Council

The Sri Lanka Press Council consists of Seven Board Members and out of this Six Board members were appointed by the President of the Democratic Socialist Republic of Sri Lanka. The Council functions as a Quasi Juridical and body. The General Director of Government Information is appointed *as ex-officio* member. The member is nominated by Journalists' Association and the other member is appointed to represent the employees of Newspaper movement. Member are appointed for a period of 3 years.

The name list of the Chairman and Members of the Council are as follows :-

| Position | Name | Date of the appointment |
|----------|---|-------------------------|
| Chairman | Mr. Koggala Wellala Bandula (Attorney - at- Law) | 14.06.2015 |
| Member | Dr. Dharshani Gunathilaka | 14.06.2015 |
| Member | Prof. Sunanda Mahendra | 14.06.2015 |
| Member | Prof. Rohana Luxman Piyadasa | 14.06.2015 |
| Member | Mr. Ariyaratna Dobbagahawatta | 14.06.2015 |
| Member | Mr. Gamini Sumanasekara | 14.06.2015 |

Since the official period of Mr. Pradeep Wijesundara, Member completed on 05.09.2014 and Mr. S. Thilainathan has been appointed with effect from 21.10.2014.

02. Meeting of the Council

The Council held 11 meetings during the Year 2015.

03. Complaints

The Years 2013, 2014, 2015 complaints received 07 and 27.

| | | |
|--|---|-----------|
| No. of complaints were brought forward for the Year 2013 | - | 07 |
| No. of complaints were brought forward for the Year 2014 | - | 27 |
| Received complaints for the Year 2015 | - | 18 |
| Total complaints for the Year 2015 | - | <u>52</u> |

The Sources of these complaints were:-

01. Individuals,
02. Heads of the Institutions,
03. Professors,
04. Medical Specialists, Doctors,
05. Clergy,
06. School Teachers,
07. Trade Union,
08. Head of the various Political Parties

These 52 complaints were made against the following proprietors of Newspapers :-

Name of the Proprietor :

1. Associated Newspapers of Cey. Ltd.,
2. Upali Newspapers Ltd.,
3. Lanka Mulat Publications Pvt. Ltd.,
4. Sumathi Newspapers Ltd.,
5. Vijaya Newspapers Ltd.,
6. Rivira Newspapers Ltd.,
7. Ravaya Publications,
8. Ethalaya Newspapers Ltd.,
9. Leader Publication Ltd.,
10. Ceylon Newspapers (Pvt.) Ltd.

The sources of these Complaints were :-

| | | |
|-------------------|---|-----------|
| On Research | - | 23 |
| Mutual Settlement | - | 04 |
| Dismissals | - | 16 |
| Withdrawals | - | 09 |
| Orders | - | - |
| | | <u>52</u> |

Categorization on the complaints not to be proceeded were base on the following criteria:-

01. Complaints do not come under the Press Council Act;
02. Complainant not submitting the necessary documents;
03. Complainant not being presented for the inquiry;
04. Relevant Newspapers not published;
05. Relevant Newspaper articles not harmful for the complainant;
06. Hold an inquiry, complaint pending in the court.

Registration of Newspapers

223 Newspapers were registered in the Council for the Year 2015.

04. Staff

According to the new format the Recruitment & Promotional scheme have been prepared on the discussion of the National Salaries and Cadre Committee.

The Present employees of Sri Lanka Press Council are 13.

| | | |
|--|---|-------------------------------------|
| 1. Mr. T. Niroshana | - | Actg. Press Commissioner (Research) |
| 2. Mrs. H. S. Wijeratne | - | News Investigator |
| 3. Mrs. Indrani Murugesu | - | Translator |
| 4. Mrs. T. A. Anoma Priyanthi Thilakaratna | - | Computer Operator |
| 5. Mrs. Nilmini Peiris | - | Accounts Assistant |
| 6. Mrs. K. G. N. H. Pathirathna | - | Management Asst. (Clerk) |
| 7. Mrs. B. M. P. K. Siriwardane | - | Management Asst. (Clerk) |
| 8. Mrs. N. J. A. J. G. Perera | - | Management Asst. (Clerk) |
| 9. Mrs. A. S. Naranjala | - | Management Asst. (Clerk) |
| 10. Mr. K. L. Chandrapala | - | Driver |
| 11. Mr. G. B. Karunathilaka | - | Driver |
| 12. Mr. K. G. F. Wijeratna | - | KKS |
| 13. Mr. H. S. S. Ananda | - | Messenger |

Mr. S. A. Jagathsiri, Accountant of Sri Lanka Press Council retired on 31.10.2015 and Mr. H. A. T. Wijeratne retired on 06.05.2015

05. Directives issued to the Sri Lanka Press Council by the Ministry

No directives were issued to the Sri Lanka Press Council by the Ministry of Media and Information during the period under review.

06. Awareness Programme for Journalists

The following Provincial and School workshops were conducted for the year 2015.

| Date | Workshop | Number of Participants | Venue |
|------------|---|------------------------|-----------------------------|
| 05.09.2015 | Provincial workshop Matale District | 57 | "Hotel Spring view" |
| 16.09.2015 | Regulations need for Mass Media | 343 | Govt. Information Dept. |
| 21.10.2015 | Media Work Shop at Polonnaruwa School | 345 | P/Wilyaya Maha Vidyalaya |
| 22.10.2015 | --do-- | 402 | --do-- |
| 06.12.2015 | Provincial Workshop Ratnapura District | 78 | "Hotel Centauria" |

Conducted Diploma Course on Journalism and Communication - Year 2015

The 4th Session of the Diploma Course on Journalism and Communication commenced on 02.12.2015 38 Journalists participated with the intention of developing their knowledge.

Discussion on Friday - 2015

Programmes conducted in every Friday targeted on a contemporary discussion.

08. Finance

- (i) A sum of Rs.25,000,000/- was approved being recurrent expenditure of the Sri Lanka Press Council. This amount was drawn for expenditure of the Council from the General Treasury in installments Rs. 17,410,000/-
- (ii) For the Year 2015 Rs.1,000,000/= was approved as a Capital expenditure. The Rs. 1,000,000/- allocated for the expenditure of Sri Lanka Press Council.
- (iii) Apart from the Government Grant and the Registration Fees of Newspapers, other receipts credited to the Council's fund during the Year 2015 as follows :-

| | <i>Rs. Cts.</i> |
|------------------------|-------------------|
| Other Recoveries | 410,792.10 |
| Late Registration Fees | 42,200.00 |
| | <u>452,942.10</u> |

(iv) Council (Accumulated) Fund

The amount lying to the credit of the Councils Fund at the beginning of the Year 2015 was Rs. 18,437,942.10 the beginning of the year the capital fund credited Rs. 19,229,783.83 during the year capital amount Rs. 791,841.73 fixed Assets excess revalue Rs. 3,083,709.36 with the Capital amount 2,849,514.00 being adjustment in respect of the previous year 1,000,000/- had been transferred to the Council's Fund. Accordingly the balance lying to the credit of the council fund at the end of the year was Rs. 136,843.00/-

- (v) The amount and the allocation amounting Rs. 3,712,671/= current liabilities amounting Rs. 791,841.73. Fixed Assets value Rs. 286,459.17/= saving, Gratuity, Research Fund Rs. 8,491,944.47/= and other deposits Rs. 2,752,587.71/=.
- (vi) **Registration of Newspapers**
During the period of January to December, 2015 a sum of Rs. 575,000/ was received as registration fees of the Newspapers.

09. Acknowledgement

The correct instruction and direction given by the Ministry of Mass Media and Information also appreciated the entire staff of the Council for the devotion and dedication shown in carrying out their duties and responsibilities.

Koggala Wellala Bandula,

(Attorney-at-Law)

Chairman.

Sri Lanka Press Council,

No. 155/15, Castle Street,

Borella, Colombo 08,

28th February, 2015.

SRI LANKA PRESS COUNCIL
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31ST DECEMBER 2015
 (All Amounts Are In Sri Lanka Rupees)

| | Note | 2015 | 2014 |
|---|------|----------------------|-----------------------|
| Revenue | | | |
| Contribution From Government of Sri Lanka | 3 | 17,410,000.00 | 18,270,000.00 |
| Book Sales commission | | - | - |
| Paper Registration Fees | | 575,000.00 | 597,500.00 |
| Copying Fees | | 6,640.00 | 6,825.00 |
| Late Fees | | 42,200.00 | 121,300.00 |
| Sale of Books | 4 | 92.77 | (109.66) |
| Diploma Course Income | | 227,000.00 | 353,000.00 |
| Interest Income-Loans To Staff | | 45,243.55 | 57,359.17 |
| Interest Income-Saving Account | | 131,765.78 | 94,613.14 |
| Total Revenue | | 18,437,942.10 | 19,500,487.65 |
| Expenses | | | |
| Wages,Salaries And Employee Benefits | 5 | 10,496,159.46 | 9,106,096.84 |
| Supplies & Consumables Used | 6 | 678,622.96 | 1,035,844.39 |
| Depreciation of Property, Plant & Equipment | | 1,430,183.27 | 1,427,923.77 |
| Utility Expenditure | 7 | 3,141,219.51 | 3,160,808.22 |
| Other Operating Expenses | 8 | 1,940,047.48 | 2,114,834.66 |
| Grants & Transfer Payments | 9 | 1,543,551.15 | 4,145,946.67 |
| Total Expenses | | 19,229,783.83 | 20,991,454.55 |
| Surplus/(Deficit) Before Taxation | | (791,841.73) | (1,490,966.90) |
| Income Tax Expenses | | - | - |
| Surplus/(Deficit) For The Year | | (791,841.73) | (1,490,966.90) |

SRI LANKA PRESS COUNCIL
STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2015

| | Note | 2015 | 2014 |
|--|------|----------------------|----------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash & Cash Equivalents | 10 | 539,890.15 | 651,864.64 |
| Receivable Income | 11 | 13,370.00 | 23,962.71 |
| Inventories | 12 | 529,865.01 | 552,229.77 |
| Festival Advance | | 7,500.00 | 12,000.00 |
| Advance for Authorized Local Purchases | | | 10,000.00 |
| Deposits & Prepayments | 13 | 767,130.05 | 696,121.73 |
| Distress Loan Receivable | 14 | 894,832.50 | 1,251,206.00 |
| | | <u>2,752,587.71</u> | <u>3,197,384.85</u> |
| Non Current Assets | | | |
| Property, Plant & Equipment | 15 | 8,491,944.47 | 8,999,117.98 |
| Investments-Savings Account (Fund Purpose) | 16 | 3,945,342.52 | 3,139,173.89 |
| | | <u>12,437,286.99</u> | <u>12,138,291.87</u> |
| Total Assets | | <u>15,189,874.70</u> | <u>15,335,676.72</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Sundry Creditors | | 5,000.00 | 2,000.00 |
| Accrued Expenses | 17 | 281,459.17 | 172,908.36 |
| | | <u>286,459.17</u> | <u>174,908.36</u> |
| Non Current Liabilities | | | |
| Employee Benefits | 18 | 3,939,031.00 | 4,278,570.00 |
| | | <u>3,939,031.00</u> | <u>4,278,570.00</u> |
| Total Liabilities | | <u>4,225,490.17</u> | <u>4,453,478.36</u> |
| Net assets | | <u>10,964,384.53</u> | <u>10,882,198.36</u> |
| NET ASSETS/EQUITY | | | |
| Capital Introduced By | | | |
| Government Treasury | | 3,712,671.00 | 2,849,514.00 |
| Capital Reserve | | 4,115,000.00 | 4,115,000.00 |
| Revaluation Reserve | | 833,975.00 | 833,975.00 |
| Accumulated Surpluses/(Deficits) | | 2,302,738.53 | 3,083,709.36 |
| | | <u>10,964,384.53</u> | <u>10,882,198.36</u> |

Accounting Policies and Notes on pages 06 to 16 form an integral part of these Financial Statements.

These financial statements have been prepared in accordance with the Sri Lanka Public Sector Accounting Standards.

.....
Accounts Assistant
For Accountant

Sri Lanka Press Council

The Board of Directors are the Governors of the council who are responsible for the preparation and presentation of these Financial Statements.

Signed for and on behalf of the Board of Governors,

.....
Acting Press Commissioner

Sri Lanka Press Council

.....
Chairman

Sri Lanka Press Council

19th February 2016.

SRI LANKA PRESS COUNCIL
STATEMENT OF CHANGES IN NET ASSETS/EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2015

(All Amounts Are In Sri Lanka Rupees)

| | Contributed Capital | Capital Reserve | Revaluation Reserve | Accumulated Surpluses/(Defic its) | Total |
|--|------------------------|---------------------|------------------------|---|----------------------|
| Balance As At 31st December 2013 | 10,074,500.00 | 4,115,000.00 | 777,475.00 | (3,625,336.30) | 11,341,638.70 |
| Changes In Accounting Policy/Correction of Errors (Note A) | | | | | |
| Funds Received From Government Treasury | 1,000,000.00 | - | - | (24,973.44) | (24,973.44) |
| Refunded To Government Treasury | - | - | - | - | 1,000,000.00 |
| Transferred To Capital Reserve | - | - | 56,500.00 | - | 56,500.00 |
| Debited to Capital Grant (for Amontization) | (8,224,986.00) | - | - | 8,224,986.00 | 0.00 |
| Surplus/(Deficit) For The Year | - | - | - | (1,490,966.90) | (1,490,966.90) |
| Balance As At 31st December 2014 | 2,849,514.00 | 4,115,000.00 | 833,975.00 | 3,083,709.36 | 10,882,198.36 |
| Changes In Accounting Policy/Correction of Errors (Note B) | | | | | |
| Funds Received From Government Treasury | 1,000,000.00 | - | - | - | 1,000,000.00 |
| Refunded To Government Treasury | - | - | - | - | 0.00 |
| Transferred To Capital Reserve | - | - | - | - | 0.00 |
| Debited to Capital Grant (for Amontization) | (136,843.00) | - | - | 136,843.00 | 0.00 |
| Surplus/(Deficit) For The Year | - | - | - | (791,841.73) | (791,841.73) |
| Balance As At 31st December 2015 | 3,712,671.00 | 4,115,000.00 | 833,975.00 | 2,302,738.53 | 10,964,384.53 |

(Contd.....)

SRI LANKA PRESS COUNCIL
 STATEMENT OF CHANGES IN NET ASSETS/ EQUITY
 FOR THE YEAR ENDED 31ST DECEMBER 2015
 (All Amounts Are In Sri Lanka Rupees)

Note A- Changes In Accounting Policy/Correction of Errors

Following adjustments are made in the council fund during the year.

| | |
|--|-------------|
| Diploma Course Fees Relevant to 2013 | 12,000.00 |
| Correction of Errors -Depreciation | 48,433.33 |
| Paper Sales | 4,816.50 |
| Paper registration Relevant to 2013 | 40,250.00 |
| | 105,499.83 |
| Correction of Errors -Fixed Assets | (44,180.00) |
| Toner Purchases - 2012 | (34,800.00) |
| Correction of Errors - Book Stock | (15,250.00) |
| Correction of Errors -Depreciation of Library Book | (25,043.27) |
| Correction Errors -Depreciation | (1,200.00) |
| Diploma Course Fees Adjustment 2012,2013 | (10,000.00) |
| | (24,973.44) |

Note B- Changes In Accounting Policy/Correction of Errors

Following adjustments are made in the council fund during the year.

| | |
|--------------------------------------|--------------|
| Nopay Salary | 573.00 |
| Papers Sales | 2,736.50 |
| Paper registration Relevant to 2014 | 11,000.00 |
| | 14,309.50 |
| Accrued Casual Salary | (1,500.00) |
| Correction Errors - Gratuity | (136,152.00) |
| Correction Errors - Accrued Expenses | (2,629.60) |
| | (125,972.10) |

SRI LANKA PRESS COUNCIL
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2015

(All Amounts Are In Sri Lanka Rupees)

| | 2015 | 2014 |
|---|-----------------------|-----------------------|
| | Note | |
| <u>Cash Flow From Operating Activities</u> | | |
| Surplus/(Deficit) For The Year | (791,841.73) | (1,490,966.90) |
| <u>Adjustment For :</u> | | |
| Depreciation | 1,430,183.27 | 1,427,923.77 |
| Written Off | 66,205.24 | - |
| Adjustment for Depreciation & Fixed Assets | - | 35,489.94 |
| Previous Year Adjustment | (125,972.10) | (24,973.44) |
| Transfer to Capital Reserve | - | 56,500.00 |
| Operating Profit Before Changes in Working Capital | 578,574.68 | 3,973.37 |
| <u>Changes in working Capital</u> | | |
| Gratuity Provision | (339,539.00) | 540,363.00 |
| (Increase) / Decrease In Receivable Income | 10,592.71 | 57,180.54 |
| (Increase) / Decrease In Inventories | 22,364.76 | 61,400.96 |
| (Increase) / Decrease In Festival Advance | 4,500.00 | 1,000.00 |
| (Increase) / Decrease In Advance for Local Purchase | 10,000.00 | (10,000.00) |
| (Increase) / Decrease In Deposits And Prepayments | (71,008.32) | 16,368.34 |
| (Increase) / Decrease In Distress Loan Receivable | 356,373.50 | 271,823.50 |
| Increase / (Decrease) In Sundry Creditors | 3,000.00 | - |
| Increase / (Decrease) In Accrued Expenses | 108,550.81 | 66,086.39 |
| Cash Generated From Operation | 683,409.14 | 1,008,196.10 |
| Cash Generated From Operations | | |
| Gratuity Paid | - | - |
| Net Cash Flows From Operating Activities | 683,409.14 | 1,008,196.10 |
| <u>Cash Flows From Investing Activities</u> | | |
| Fixed Assets Purchased | (989,215.00) | (1,026,741.25) |
| Investment In Funds | (806,168.63) | (877,600.81) |
| Net Cash Inflows/ (Outflows) From Investing Activities | (1,795,383.63) | (1,904,342.06) |
| <u>Cash Flows From Financing Activities</u> | | |
| Cash Granted / (Refunded) From / (To) Government Treasury | 1,000,000.00 | 1,000,000.00 |
| Net Cash Inflows/ (Outflows) From Financing Activities | 1,000,000.00 | 1,000,000.00 |
| Net Increase/(Decrease) In Cash & Cash Equivalents | (111,974.49) | 103,854.04 |
| Cash & Cash Equivalents at the Beginning Of The Year | 651,864.64 | 548,010.60 |
| Cash & Cash Equivalents at the End Of The Year | 539,890.15 | 651,864.64 |

Accounting Policies and Notes on pages 06 to 16 form an integral part of these Financial Statements.

1. Domicile & Legal Form

Sri Lanka Press Council was established by the Parliament Act No. 73 of 1973. Sri Lanka Press Council registered office and principal place of service is located at No. 155/15, Castle Street, Borella, Colombo 08.

1.1 Principal Activities & The Nature Of Operations

The principal activity of Sri Lanka Press Council is popularising press freedom as a cultural element for national development.

1.2 Basis Of Preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared in accordance with Sri Lanka Public Sector Accounting Standards (SLPSAS) for public sector entities published jointly by Institute of Chartered Accountants of Sri Lanka (ICASL) and Ministry of Finance & Planning.

1.3 Statement Of Compliance

The Financial Statements of Sri Lanka Press Council has been prepared in accordance with Sri Lanka Public Sector Accounting Standards (SLPSAS).

1.4 Going Concern

The Board of Governors is satisfied that the council has adequate resources to continue its operations in the foreseeable future. Accordingly the financial statements are prepared based on going concern basis.

1.1.2 Comparative Information

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous years.

1.1.3 Materiality and Aggregation

Each material class of similar items is presented separately in the financial statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

1.1.4 Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial years.

2. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements

2.1 Property, Plant & Equipment

2.1.1 Recognition and Measurement

All property plant & Equipment other than motor vehicle are stated at cost less accumulated depreciation and accumulated impairment losses. Motor vehicles are stated at revalued amounts, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The carrying values of property plant and equipment are reviewed for impairment when events or

changes in circumstances indicate that the carrying value may not be recoverable. All items of property, plant and equipment are initially recorded at cost. Where items of property, plant and equipment are subsequently revalued, the entire class of such assets is revalued at fair value. Revaluations are done with sufficient regularity. When an asset is revalued, any increase in the carrying amount is credited directly to a revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the income statement, in which case the increase is recognized in the income statement. Any revaluation deficit that offsets a previous surplus in the same asset is directly offset against the surplus in the revaluation reserve and any excess recognized as an expense. Upon disposal, any revaluation reserve relating to the asset sold is transferred to retained earnings. Items of property, plant and equipment are derecognized upon replacement, disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognizing of the asset is included in the income statement in the year the asset is derecognized.

2.1.2 Depreciation

Provision for depreciation is calculated by using a straight-line method on the cost or valuation of all property, plant and equipment, other than freehold land, in order to write off such amounts over the estimated useful economic lives of such assets. The estimated useful lives of assets are as follows:

| Type of Asset | Years |
|----------------------------------|-------|
| Motor Vehicle - (10%) | 10 |
| Furniture & Fixtures-(20%) | 05 |
| Office & Welfare Equipment-(20%) | 05 |
| Books of Library-(20%) | 05 |

The useful life and residual value of assets are reviewed, and adjusted if required, at the end of each financial year. Depreciation is provided in the year of purchase in full and no depreciation is charges in the year of disposal.

Accountable for depreciation on the day of Assets usage is the Council Policy.

2.1.3 Scrap Value

Scrap value is Calculated from cost value of 95% (of Market Value)

2.2 Cash and Cash Equivalent

Cash and cash equivalents are defined as cash in hand, demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risks of changes in value.

2.3 Investments

Investments comprise of savings accounts and these investments are accounted at cost.

2.4 Inventory

Inventories consist of publications and Stationery. Publications are accounted at cost or net realisable value whichever is lower.

2.5 Other Receivables

Other Receivables are stated at the amounts estimated to be realized. All receivables are accounted on accrued basis other than receivable from Diploma course.

2.6 Liabilities & Provisions

Liabilities are recognized in the balance sheet when there is a present obligation arising from a past event, the settlement of which is expected to result in an outflow of resources embodying economic benefits. Obligations payable at the demand of the creditor or within one year of the balance sheet date are treated as current liabilities in the balance sheet. Liabilities payable after one year from the balance sheet date are treated as non-current liabilities in the balance sheet.

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits for which a reliable estimate could be made is required to settle the obligation.

2.7 Employee Benefits

2.7.1 Defined Contribution Plans

All employees of the council are members of the employees provident fund and employees trust fund to which the council contributes 15% and 3% respectively of such employees gross salary or wage.

2.7.2 Defined Benefit Plans

The council measures the present value of the retirement benefits of gratuity, which is a defined benefit plan calculated using projected unit credit method. Actuarial gains or losses are recognized as income or expenses over the expected average remaining working life of the participants of the plan.

2.8 Statement of Financial Performance

2.8.1 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue and the associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and sales taxes.

2.8.2 Contribution From The Government of Sri Lanka

The contribution from government of Sri Lanka is recognized on an accrual basis.

2.8.3 Interest Income

Interest income is recognized as it accrues in profit or loss, using the effective Interest Method.

2.8.4 Other Income

Other income is recognized on an accrual basis.

2.8.5.1 Expenditure Recognition

All expenses incurred in day to day operations of the council and in maintaining the property, plant equipment in a state of efficiency has been charged to the statement of financial performance.

2.8.5.2 Classification Of expenditure

For the purpose of presentation of statement financial performance the governors are of the opinion that the nature of expense method present fairly, the elements of the council's performance hence such method adopted.

2.9 Cash Flow Statement

Cash Flows statement has been prepared using the 'Indirect Method'.

2.10 Events Occurring After the Reporting Period

Events after the reporting period are those events favorable and unfavorable that occurs between the end of the reporting period and the date when the financial statements are authorized for issue. The materiality of the events occurring after the reporting period is considered and appropriate adjustments to or disclosures are made in the Financial Statements, where necessary.

SRI LANKA PRESS COUNCIL

NOTES TO THE FINANCIAL STATEMENTS(Contd...)

FOR THE YEAR ENDED 31ST DECEMBER

2015

2014

(All Amounts Are In Sri Lanka Rupees)

Note 3 - Contribution From Government Of Sri Lanka

Represents the allocation received from Government of Sri Lanka for utilities and maintenance of the Council

Note 4 - Sale Of Books

| | | |
|-----------------------------------|--------------|-----------------|
| Book Sales | 13,800.00 | 30,305.00 |
| Less-Receivable income Adjustment | - | 7,505.00 |
| less-Cost Of Book Sales | 13,707.23 | 22,909.66 |
| | 92.77 | (109.66) |

Note 5-- Wages, Salaries & Employee Benefits

| | | |
|------------------------------|----------------------|---------------------|
| Salaries And Wages | 7,511,380.59 | 6,053,177.46 |
| EPF Contribution | 1,042,437.59 | 728,608.82 |
| ETF Contribution | 208,487.54 | 145,721.75 |
| ETF Contribution - Surcharge | 877.92 | - |
| Overtime & Holiday Payment | 346,627.82 | 495,614.31 |
| Members Fees | 348,000.00 | 552,000.00 |
| Gratuity | 1,018,320.00 | 540,363.00 |
| Audit Committee Meeting Fees | - | 60,000.00 |
| Other allowances | 20,028.00 | 530,611.50 |
| | 10,496,159.46 | 9,106,096.84 |

Note 6 - Supplies &Requisites

| | | |
|--------------------------|-------------------|---------------------|
| Stationery | 155,594.36 | 150,338.19 |
| Fuel & Lubricants | 450,893.35 | 604,491.10 |
| Fuel Allowance | - | 240,000.00 |
| Office Requisites | 45,065.25 | 11,715.10 |
| Medical Supplies | - | - |
| Uniforms | 20,000.00 | 16,000.00 |
| Newspapers & Periodicals | 7,070.00 | 13,300.00 |
| | 678,622.96 | 1,035,844.39 |

Note 7 - Utility Expenditure

| | | |
|-------------------|---------------------|---------------------|
| Telephone Charges | 304,654.20 | 267,800.31 |
| Postage | 45,434.00 | 45,310.00 |
| Lighting | 198,044.55 | 248,912.75 |
| Rent-Office | 2,160,000.00 | 2,160,000.00 |
| Water Charges | 54,662.82 | 58,289.27 |
| Security Charges | 378,423.94 | 380,495.89 |
| | 3,141,219.51 | 3,160,808.22 |

SRI LANKA PRESS COUNCIL

NOTES TO THE FINANCIAL STATEMENTS(Contd...)

FOR THE YEAR ENDED 31ST DECEMBER

2015

2014

(All Amounts Are In Sri Lanka Rupees)

Note 10 - Cash and Cash Equivalents

| | | |
|--------------|-------------------|-------------------|
| Cash At Bank | 539,890.15 | 651,864.64 |
| | 539,890.15 | 651,864.64 |

Note 11 - Other Current Assets

| | | |
|-------------------------------------|------------------|------------------|
| Salary Recoverable - No Pay | - | 13,497.25 |
| Salary Recoverable - Telephone Bill | - | 2,095.46 |
| Registration & Late Fees | 7,000.00 | 2,000.00 |
| Book Sales | 6,370.00 | 6,370.00 |
| | 13,370.00 | 23,962.71 |

Note 12 - Inventory

| | | |
|--------------------------------|-------------------|-------------------|
| Stock Of Books | 334,275.53 | 381,880.01 |
| Stock Of Stationery | 120,933.98 | 105,863.36 |
| Goods on Sales or Return Basis | 74,655.50 | 64,486.40 |
| | 529,865.01 | 552,229.77 |

Note 13 - Deposits & Prepayments

| | | |
|---|-------------------|-------------------|
| Security Deposit-Castle Street Building | 540,000.00 | 540,000.00 |
| Security Deposit-Water Bottle | 5,600.00 | 4,000.00 |
| Fuel Deposit | 75,000.00 | 75,000.00 |
| Insurance & Revenue License Fees | 146,530.05 | 77,121.73 |
| Total | 767,130.05 | 696,121.73 |

Note 14 - Distress Loan receivable

| | | |
|--|---------------------|---------------------|
| Balance As At The Beginning Of The Year | 1,251,206.00 | 1,523,029.50 |
| Loans Given During the Year | 95,130.00 | 99,920.00 |
| | 1,346,336.00 | 1,622,949.50 |
| Loans Recovered During The Year | (451,503.50) | (371,743.50) |
| Balance As At The End Of The Year | 894,832.50 | 1,251,206.00 |

SRI LANKA PRESS COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2015
 (All Amounts Are In Sri Lanka Rupees)

Note 15-Property, Plant & Equipment

| Cost / Valuation | Motor Vehicles | Furniture & | Office & | Books of | Total |
|--|----------------------|---------------------|-----------------------|-------------------|----------------------|
| | | Fittings | Welfare Equipments | Library | |
| Balance As At 01 st January 2015 | 10,001,000.00 | 1,261,519.00 | 2,906,241.83 | 179,844.48 | 14,348,605.31 |
| Additions | 610,000.00 | 91,260.00 | 276,030.00 | 11,925.00 | 989,215.00 |
| Disposals/Written Off | 70,000.00 | | 107,390.24 | | 177,390.24 |
| Balance As At 31st December 2015 | 10,541,000.00 | 1,352,779.00 | 3,074,881.59 | 191,769.48 | 15,160,430.07 |
| Depreciation | | | | | |
| Balance As At 01 st January 2015 | 2,738,000.00 | 1,021,140.00 | 1,486,284.17 | 104,063.16 | 5,349,487.33 |
| For The Year | 914,000.00 | 105,100.00 | 383,585.00 | 27,498.27 | 1,430,183.27 |
| On Disposals | 6,000.00 | | 105,185.00 | | 111,185.00 |
| Balance As At 31st December 2015 | 3,646,000.00 | 1,126,240.00 | 1,764,684.17 | 131,561.43 | 6,668,485.60 |
| Carrying value | | | | | |
| As At 01 st January 2015 | 7,263,000.00 | 240,379.00 | 1,419,957.66 | 75,781.32 | 8,999,117.98 |
| As At 31 st December 2015 | 6,895,000.00 | 226,539.00 | 1,310,197.42 | 60,208.05 | 8,491,944.47 |

SRI LANKA PRESS COUNCIL

NOTES TO THE FINANCIAL STATEMENTS(Contd...)

FOR THE YEAR ENDED 31ST DECEMBER

2015

2014

(All Amounts Are In Sri Lanka Rupees)

Note 16 - Investments-Savings Account (Fund Purpose)

| | | |
|----------------------------|---------------------|---------------------|
| Peoples Bank-Loan Fund | 1,734,333.37 | 1,250,203.76 |
| Peoples Bank-Research Fund | 1,507,037.66 | 1,212,556.69 |
| Peoples Bank-Gratuity Fund | 703,971.49 | 676,413.44 |
| | 3,945,342.52 | 3,139,173.89 |

Note 17 - Accrued Expenses

| | | |
|--------------------------|-------------------|-------------------|
| Overtime | 80,631.21 | 46,219.06 |
| Travelling Allowance | 4,800.00 | 400.00 |
| Telephone | 32,081.12 | 18,973.30 |
| Audit Fee | 145,824.00 | 106,176.00 |
| Fuel | 9,001.27 | - |
| Other Allowance | 6,000.00 | - |
| E.T.F. Surcharges | 877.92 | - |
| Water Charges | 2,243.65 | - |
| News Paper & Periodicals | - | 1,140.00 |
| | 281,459.17 | 172,908.36 |

Note 18 - Employee Benefits

| | | |
|--|---------------------|---------------------|
| Balance As At The Beginning Of The Year | 4,278,570.00 | 3,738,207.00 |
| Previous Year Adjustment | 136,152.00 | - |
| Gratuity Paid During The Year | (1,494,011.00) | - |
| | 2,920,711.00 | 3,738,207.00 |
| Provision/(Reversal) During The Year | 1,018,320.00 | 540,363.00 |
| Balance As At The End Of The Year | 3,939,031.00 | 4,278,570.00 |



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கணக்காய்வாளர் தலைமை அபிபதிதிணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය }
எனது இல } MED/C/SLPC/1/15/FA-1
My No }

ඔබේ අංකය }
உமது இல }
Your No. }

දිනය }
திகதி } 30 September, 2016
Date }

The Chairman,
Sri Lanka Press Council

Report of the Auditor General on the Financial Statements of the Sri Lanka Press Council for the Year ended 31 December, 2015 in terms of Section 14 (2) (c) of the Finance Act, No. 38 of 1971

The Audit of Financial Statements of the Sri Lanka Press Council for the Year ended 31 December, 2015 comprising the statement of Financial Position as at 31 December, 2015 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. A detailed Report in terms of Section 13(7)(a) of the Finance Act will be furnished to the Chairman of the Council in due course.

1.2 Managements 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 Auditing 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

අංක 306/72 පොල්දූව පාර,
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இல. 306/72, பொல்துவ வீதி,
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the risks of material misstatement 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 management, 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 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 31st December, 2015 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

According to Sri Lanka Public Sector Accounting Standard 09, stocks should be valued at cost or net realizable value, whichever is lower. However, stocks valued at Rs. 74,650 had been accounted at cost in spite of the fact that the Board of Directors had decided to sell it at Rs. 69,450.

2.2.2 Accounting Policies

The following observations are made :-

- (a) According to the Accounting Note No. 2.7.2, it had been stated that the present value of the retirement benefits of Gratuity of the Council would be valued at the Projected Unit Credit Method. However, instead of doing so, the increase or decrease of the employee benefit account at the end of the year had only been adjusted to the Statement of Financial Position.
- (b) Without being disclosing the accounting policy for the government grant for capital expenditure, a sum of Rs. 136,843 and Rs. 8,224,986 respectively had been debited to the capital grant account and credited to the retained surplus/deficit account as amortization of the year under review and the past 5 years from 2010 to 2014.

2.2.3 Accounting Deficiencies

Although upon disposal, any revaluation reserve relating to the asset sold should be transferred to retained earnings, such reserve value of Rs. 833,975 had not been transferred to the retained earnings.

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

Instances of non-compliance with laws, rules, regulations and management decisions are given below.

Reference to Laws, Rules, Regulations
and Management Decisions

Non-compliance

(a) Financial Regulations of the Democratic Socialist
Republic of Sri Lanka

(i) Financial Regulations 880

Officers who are entrusted the receipt and custody of public money and who certify vouchers or sign cheques on Government Account will be required to give security in accordance with the Public Officers (Security) Ordinance. Nevertheless no security had been obtained as yet from any officer engaged in such duties in the Council.

(ii) Financial Regulation 102 to 110

Although goods misplaced or unusable valued at Rs. 66,205 had been identified as per the Annual Board of Survey Report, necessary action had not been taken in this connection as required.

(b) Paragraph 1 of the letter of the Presidential Secretariat No. CA/1/17/1 dated 14 May 2010

According to the said circular and the Directive of the Committee on Public Enterprises No. 07 dated 10 July 2012, it had been stated that the Press Council should function in a government building. However, the Council had been functioned in buildings obtained on rent for about 40 years from its inception. The expenditure incurred in this connection from 2006 to 2015 aggregated to Rs. 13,730,500.00

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operation of the Council for the year under review had resulted in a deficit of Rs. 791,842 as compared with the corresponding deficit of Rs. 1,490,967 for the preceding year showing an improvement in financial results by Rs. 699,125 for the year under review. The decrease in government grant and other income of the year under review as compared with the preceding year amounting to Rs. 860,000 and Rs. 202,546 respectively along with the decrease in recurrent expenditure of Rs. 1,761,670 had caused the improvement in financial results.

An analysis of the financial results of the year under review and the past 4 years has shown continuous financial deficits occurred from 2011 to 2015 and it had been fluctuated during those years. After adjusting employee emoluments and depreciation for non current assets, the contribution of Rs. 6,704,176 in 2013 had increased to Rs. 11,003,288 by 39 per cent during the year under review.

4. Operating Review

4.1 Performance

(a) The main objectives of the Council in terms of the Sri Lanka Press Council Act No. 05 of 1973 appear below.

- (i) To ensure the freedom of the press, to prevent abuses of that freedom, safeguard the character of the press in accordance with the highest professional standards.
- (ii) To advise the government on any matter pertaining to the regulation and conduct of newspapers.
- (iii) To ensure that newspapers shall be free to publish as news true statements of facts.

- (iv) To ensure on the part of newspapers and journalists the maintenance of high standards of journalistic ethics.
- (b) The existing mechanism of the Council was not adequate to find out filthy, discrediting and non ethical publications in newspapers and to refer wrong doers to the courts in terms of Sections 15 and 30 (1) of the Press Council Act. Although instances where such magazines sold as registered magazines had been reported to the Council, in terms of the section 30 of the Act. necessary action had not been taken by the Council.
- (c) According to Section 25 of the Press Council Act, every newspaper should be registered in the Press Council. Although the council had authority to frame necessary laws and rules relating to newspapers delivered in the market without being registered in terms of the section 30 of the Act, the Council had not taken suitable action in this regard.
- (d) Printing of books and symposiums on relevant subject had been planned with a view to ensure an advanced professional journalism, it had not been so done.
- (e) Eighteen complaints had been received by the Council against newspapers during the year under review. The number of unresolved complaints in 2014 was 34 making the total number of complaints as 52 of these, 23 complaints had not been resolved even by end of the year.
- (f) Provision amounting to Rs. 2,550,000 had been made with a view to conduct 13 workshops on Regional Journalism and School Mass Media in accordance with the Annual Action Plan. However, only 06 programmes were conducted and a sum of Rs. 1,020,021 had been spent therefor.

4.2 Management Activities

A sum of Rs. 200,000 had been paid to Department of Mass Media of the University of Kelaniya by 24 November 2015 as an initial payment of a comparative research report on Sri Lanka Press Council and the Press Complaints Commission. Although the final report should be furnished to the Council within a month of the payment, action had not been taken to obtain that even by 30 April 2016. Although a sum of Rs. 1,507,037 had been remained in the research fund account, the government recurrent grant had been utilized for this payment.

4.3 Transactions of Contentious Nature

The following observations are made:-

- (a) Without identifying the specifications required quotations had been called to purchase a computer for the Council and action had been taken to purchase a computer for Rs. 104,500 without considering the lowest quotation of Rs. 79,000.
- (b) A three wheeler disposed had been revalued for Rs. 70,000 in the year 2014 without properly estimating its useful life and action had been taken to remove it from the books by 31 December 2015 while its carrying value as at 01 January 2015 was Rs. 64,000.
- (c) The Bajaj Company had furnished a quotation for a three wheeler of Rs. 510,850 during the year under review. In spite of this, it had been purchased for Rs. 610,000 from the same company and the reason for paying Rs. 99,150 in excess had not been explained to audit.

4.4 Staff Administration

The following observations are made:-

- (a) The functions of the Press Commissioner who is the Executive Officer in terms of Sections 22 of the Press Council Act had been performed on acting basis from time to time by officers appointed on the recommendations of the Cabinet of Ministers since 31 March 2010. Although the Committee on Public Enterprises had

recommended in 2012 and 2014 that a permanent office on full time basis should be appointed for the post, a permanent officer had not been appointed upto the date of this report.

- (b) Although five vacancies were existed in the Council and as such there were delays in functions such as voucher certification, news investigation, personnel administration and press complaints inquiries, recruitment had not been made although provision had been approved since 2013.

5. Accountability and Good Governance

5.1 Action Plan

Although an Action Plan had been prepared by the Council for the year under review, it had not been periodically reviewed and updated. Accordingly, as per the Performance Report prepared for the year under review it was observed that there were 06 instances where 50 to 100 per cent of the target noted therein had not been fulfilled.

5.2 Internal Audit

An Internal Audit Unit was not functioning in the Council. The internal audit functions of the Council had been entrusted to the internal Audit Unit of the Ministry. However, an internal audit had not been carried out during the year under review.

5.3 Audit and Management Committees

At least four meetings of the Audit and Management Committee per one quarter should be held in terms of Paragraph 7.4.1. of the Public Enterprises Circular No. PED/12 of 02 June 2003. however, committee meetings had not been held during the year under review.

5.4 Procurement Plan

Procurement Plan had been prepared for the year under review in terms of Section 4.2.1 of the Government Procurement Guideline dated 25 January 2006. However, the approval of the Ministry had not been obtained in this regard.

5.5 Budgetary Controls

Significant variances ranging from 26 per cent to 70 per cent were observed between the budgeted and actual expenditures showing that budget had not been used as an effective instrument of management control.

5.6 Unresolved Audit Paragraphs

Functions such as implementation of internal audit and furnishing report to the Auditor General, conducting regular Audit and Management Committee meetings and appointing officers for the executive posts which had been fallen vacant at the Council as directed by the Committee on Public Enterprises on 24 July 2014 with regard to the Council, had not been fulfilled.

5.7 Environmental and Social Responsibility

According to the Extra Ordinary *Gazette* Notifications No. 162/5 A of 14 October 1981, a system is in existence to investigate the newspapers published daily in accordance with the code of ethics relating to journalists. However, the number of investigating officers are less as compared to the number of newspapers published and as such a limited number of investigation reports only had been furnished. Reasonable attention had not been paid by the Board of Director to take follow up actions with regard to the code of conduct as included even in such investigation reports.

6. Systems and Control

Weakness in systems and controls observed during the course of 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:-

Systems and Controls

Observations

- | | |
|----------------------------|---|
| (a) Staff Administration | Duties of executive officers being carried out on acting basis and vacancies were existed in essential posts. |
| (b) Control over Purchases | Purchases made ignoring required specifications as well as economy of the purchases. |
| (c) Stock Control | Non-maintenance of stock books. |
| (d) Internal Audit | An Internal Audit branch is not in operation. |

H. M. GAMINI WIJESINGHE,
Auditor General.