

National Film Corporation Trust for Film Artistes and Film Technicians

1. Financial Statements

1.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.2 of this report, the financial statements give a true and fair view of the financial position of the National Film Corporation Trust for Film Artistes and Film Technicians as at 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Comments on Financial Statements

1.2.1 Deficiencies in Presentation of Financial Statements

Following deficiencies were observed.

- a) The accounting policies adopted by the Corporation Trust were not disclosed along with the financial statements.
- b) The Cash Flow Statement was not presented along with the financial statements prepared for the year 2011.

1.2.2 Unexplained Differences

Although the cost of Treasury Bills for Rs. 6,569,961 and Treasury Bonds for Rs. 5,030,355 were shown in the Balance Sheet as Rs. 6,080,248 , Rs. 5,032,720 respectively and confirmations had not been presented for audit in order to give explanation as to how these values derived to the financial statements.

1.2.3 Payable Accounts

It was observed that the Income Tax Payable amount of Rs. 247,696 was a balance brought forward before the year 2007.

1.2.4 Lack of Audit Evidence

Balance confirmations as at 31 December 2011 had not been presented for Treasury Bonds amounting to Rs. 5,032,720 and Fixed Deposits amounting to Rs. 400,000.

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

Non-compliance with Laws, Rules, Regulations and Management Decisions observed in audit were shown below.

Reference to Laws, Rules, Regulations and Management Decision	Non-compliance
----- Public Finance Circular No. PF/PE/09 dated on 12 June 2002 and Paragraph 11 (b) of Finance Act No. 38 of 1971.	----- The relevant approval had not been taken for the investments in fixed deposits for Rs. 400,000 as at 31 December.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the operation of the Corporation Trust for the year under review had resulted in a deficit of Rs.73,963 as compared with the corresponding surplus of Rs. 345,997 for the preceding year thus indicated a decrease of financial result by a sum of Rs. 419,960. This decrease had basically effected in the decrease in interest income on investments.

3. Operating Review

3.1 Performance

During the past 13 years from 1998 to 2011 a total sum of Rs.17,685,980 had been granted to film artistes and film technicians as pensions, medical assistance and death gratuities.

The following observation is made in this regard.

The total value of Rs. 1,189,000 comprising a sum of Rs.1,134,000 to 49 pensioners during the year 2011 as pensions, a sum of Rs.50,000 as death donations for five artist including 02 deceased pensioner during the year and medical assistance of Rs.5,000 for one artist had been paid. Pensions had been paid only to 4 Artistes out of 13 Artistes approved by the Board of Control at its 79th meeting held on 21 September 2004 and even though the Board of Trust had been appointed, action had not been taken to pay pension for the balance 9 artistes during the year 2011. Apart from this, action had not been taken to pay new pensions.

3.2 Managements Inefficiencies

3.2.1 Non-achievement of Objectives of the Act

The following observations are made.

- (a) Even though the Board of Trust had been appointed for administration, management, and control of the Trust in terms of Section 3 of the National Film Corporation Trust for Film Artistes and Film Technicians Act No: 3 of 1986, only one meeting had been conducted in year 2011.
- (b) The following objectives stated in Section 5 of the National Film Corporation Trust for Film Artistes and film Technicians Act No: 3 of 1986 had not been achieved even during the year 2011.

- (i) Implementation of benevolent funds, savings funds, savings or thrift societies and similar proposals for the assistance of the film artistes and technicians.
- (ii) Awarding a loan, an allowance, a housing facility or any other similar benefit to the qualified film artistes or technicians after reaching the age of 60 years.

It was informed by the Chairman that the Trust does not have sufficient fund to implement these objectives.

3.2.2 Non Implemented Decisions of the Board of Trust

Pensions to the pensioners are paid out of the annual interest earned by the Trust on its fixed deposits and a sum of Rs. 200,000 received from the Film Corporation. It was observed that the following decisions taken by the Board of Trust at the 79th meeting held on 21 September 2004 to improve further the financial position of the Trust had not been implemented even during the year 2011. Even though this situation had been shown in previous audit reports, sufficient attention had not been drawn by the Corporation Trust to implement those activities.

3.2.3 Rukmani Devi Commemoration Fund

The proposed scholarship scheme for a singer to get a postgraduate degree from the "Puna" Film Academy in India by utilizing the Rukmani Devi Commemoration Fund of Rs. 462,778 had not been implemented since 1985 to date.

3.2.4 Uneconomical Transactions

As per the No. 12 of the regulation manual to implement the activities of Section 5 of the National Film Corporation Trust for Film Artistes and Film Technicians Act No: 3 of 1986, even though the rest should have to be invested in an effective investment after keeping a reasonable cash amount to reach monthly expenses, it was kept excess cash of Rs. 1million to Rs.1 ½ million in bank current accounts even the monthly general expense was Rs. 100,000 to Rs.150,000.

4. Accountability and Good Governance

4.1 Presentation of Financial Statements

Although the financial statements should be prepared and presented to the Auditor General for audit within 60 days after the closure of the year of accounts in terms of Public Enterprises Circular No. PED/12 of 02 June 2003, the financial statements for the year ended 31 December 2011 had been presented by the National Film Corporation Trust for Film Artistes and Technicians only on 04 May 2012 after a delay of 02 months.

4.2 Corporate Plan

A corporate plan had not been prepared as per the paragraph 05 of Treasury Circular NO. PED/12 of 02 June 2003.

4.3 Internal Audit

Internal Audit had not been performed in accounting activities of the Corporation Trust.

5. Systems and Controls

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

- (a) Accounting
- (b) Collection of Income
- (c) Payment of Pensions
- (d) Maintenance of Accounting Books and Registers
- (e) Investments