

National Film Corporation Trust for Film Artistes and Film Technicians - 2012

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 2012 and its financial performance 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

The accounting policies adopted by the Corporation Trust were not disclosed along with the financial statements.

1.2.2 Lack of Evidence for Audit

Even though a sum of Rupees Ten Million should be given to the Trust as initial grant, such evidence were not presented to audit.

1.2.3 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 Decisions	Non-compliance
(a) Sub-section 3 of the section 11 of the National Film Corporation Trust for Film Artistes and Film Technicians Act No. 3 of 1986	Even though the income and expenditure account and the balance sheet should be signed by two Board Members who were given authority to sign, through a proposal seconded by the Board it had not been signed accordingly.
(b) Public Finance Circular No. PF/PE/09 dated on 12 June 2002 and Sub-section (b) of Section 11 of Finance Act No. 38 of 1971.	The Treasury approval had not been obtained for the investments in fixed deposits amounting to Rs. 400,000 as at 31 December 2012.

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 surplus of Rs. 180,328 as against the deficit of Rs. 73,963 for the preceding year thus indicating an increase of Rs. 254,291 in the financial result. The reason for the increase was increased of the interest income on investments.

3. Operating Review

3.1 Performance

During the past 14 years from 1998 to 2012, a total sum of Rs.18,729,980 had been granted to film artistes and film technicians as pensions, medical assistances and death donations.

The following observations are made in this regard.

- (a) An aggregate amount of Rs. 1,046,000 had been paid during the year under review for 42 pensioners at Rs. 2,000 each per month as pensions amounting to Rs. 1,036,000 and death donations amounting to Rs.10,000 for only one artistes out of 03 deceased pensioners.
- (b) Even though artistes and technicians who are eligible to grant pension should be selected annually and be included them in the Pension Fund, such selection had not been made after the year 2005. Further only 05 had been included in to that Fund in the year 2005 and 08 artistes qualified in the year 2004 had not been included in the Pension Fund even as at 30 June 2013.

3.2 Management Inefficiencies

3.2.1 Non-achievement of Objectives of the Act

The following observations are made.

- (a) Even though the Board of Trustees had been appointed for administration, management, and control of the Corporation 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 under review.
- (b) The following objectives stated in Section 5 of the Corporation Trust had not been achieved even during the year 2012.

- (i) Implementation of schemes relating to benevolent funds, savings funds, savings or thrift societies and other 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 eligible film artistes or technicians after reaching the age of 60 years.
- (c) The last amendments made to the Code of Conduct prepared to implement the objectives of the Corporation Trust had been in the year 2003 and action had not been taken to increase monthly pension contribution of Rs. 2,000 in keeping with present condition and to increase the monthly income limit of Rs. 3,000 to for become eligible for contribution.

3.2.2 Non-implemented Decisions of the Board of Trustees

Payment of pensions to the pensioners are made out of the annual interest earned by the Corporation Trust on its fixed deposits and from the sum of Rs. 200,000 received from the Film Corporation. Number of important decisions taken by the Board of Trustees at the 79th meeting held on 21 September 2004 for further improvement of the financial position of the Trust had not been implemented even during the year 2012. Even though this situation was pointed out in previous audit reports, sufficient attention had not been paid by the Trust to implement those actions.

3.2.3 Even though a scholarship scheme was initiated in the year 1985 for a singer to get a postgraduate degree from the “Puna” Film Academy in India by utilizing the Rukmani Devi Commemoration Fund, the proposed scholarship scheme had not been implemented even in the year under review and the value of the Fund as at the end of the year under review was Rs. 462,778.

3.2.4 According to the confirmation of balances of the Treasury Bills, Treasury Bills amounting to Rs. 5,529,948 had been deposited for 182 days and out of that amount a sum of Rs. 5,000,000 had been renewed twice from July 2012 for 91 days at the interest rate of 11 per cent and from October 2012 for 98 days at the interest rate of 10.8 per cent. Therefore it was observed that the proposed interest rate would be 12.75 per cent for that amount of investment in Treasury bills for 182 days and the interest income receivable on initial investment had been remitted to the Corporation Trust by under calculating of Rs. 29,535 and also Corporation Trust had not taken actions to obtain that amount.

3.3 Uneconomical Transactions

In terms of the Rule No. 12 of the Manual of Rules made to implement the activities set out in Section 5 of the National Film Corporation Trust for Film Artistes and Film Technicians Act No. 3 of 1986, the balance remaining after retaining a sum adequate for the monthly payment should be invested effectively. Excessive cash balances amounting to Rs. 1 million to Rs.1.5 million had been retained in bank current accounts though the monthly average expenses amounted 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 close of the financial year in terms of the Public Enterprises Circular No. PED/12 of 02 June 2003, the financial statements for the year under review had been presented by the Corporation Trust only on 06 June 2012 after delaying 03 months.

4.2 Corporate Plan

A Corporate Plan had not been prepared in terms of Public Enterprises Circular No.PED/12 of 02 June 2003.

4.3 Internal Audit

An Internal Audit had not been performed.

5. Systems and Controls

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

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