

National Film Corporation of Sri Lanka - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the National Film Corporation of Sri Lanka for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 and Finance Act No. 38 of 1971. 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 Corporation as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka 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 Responsibility 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 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

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

1.4 Auditor's Responsibility for 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 Corporation'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 Corporation'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 Corporation 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 Corporation and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Corporation has complied with applicable written law, or other general or special directions issued by the governing body of the Corporation ;
- Whether the Corporation has performed according to its powers, functions and duties; and
- Whether the resources of the Corporation 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 Internal Control over the preparation of financial statements

Entities are required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Issues with regard to maintenance of key accounting records such as General Ledger, Journal and Journal vouchers, payment vouchers etc. may include under this heading.

1.5.2 Non-compliance with Sri Lanka Accounting Standards

Non-compliance with the reference to particular standard	Comments of Management	the Recommendation
(a) According to paragraphs 03 and 08 of Sri Lanka Accounting Standard 10, the adjustments should be made to the financial statements for the transactions that evidence of the transaction status as at the reporting date in the period between the reporting date and the date of approval for submission of the financial statements, but according to the decisions given in 02 cases against the corporation, the arrears salary of Rs. 4,645,296 to be paid to the relevant officers	The observations are correct. Arrears salary has been paid in the year 2023.	It should be done according to the terms of the standard.

had not been adjusted in the financial statements.

- (b) According to paragraph 34 of Sri Lanka Accounting Standard No. 16, although the assets should be revalued once in 03 or 05 years based on the fair value of the property, plant and equipment of the corporation, the corporation had not audited the land and buildings amounting to Rs. 441,813,407. Land revaluation is in progress. It should be done according to the terms of the standard.
- (c) Due to non-reviewing of effective life for non-current assets annually according to paragraph 51 of Sri Lanka Accounting Standard No. 16, fixed assets of totally Rs. 154,976,666 were fully depreciated, but it was continued to be utilized and the assets were not disclosed in the financial statements in accordance with paragraph 79 (b) of the standard. Accordingly, the estimated error of the useful life of those assets had not been revised in accordance with Sri Lanka Accounting Standard No. 08. The observations are correct. A physical identification will be made in the fixed asset register and disclosed in the 2023 financial statements. It should be done according to the terms of the standard.
- (d) The total value of slow moving and non-moving stock of the corporation as at 31 December 2022 was Rs. 8,597,176. Although in accordance with paragraph 79 (a) of Sri Lanka Accounting Standard 16, non-current assets should be disclosed in the financial statements at that net book value, adequate disclosure was not made about inactive assets and expired old assets in the buildings owned by the corporation inside and outside the corporation premises. The detailed documents required to verify the value of the stock were not submitted for audit. The observations are correct. A value was allocated in the preparation according to the accounting standards in the year 2013. This allocation is done in a schedule prepared from the stock survey report. It should be done according to the terms of the standard.

1.5.3 Accounting Deficiencies

Audit observation	Comments of the Management	Recommendation
(a) According to the financial statements of the year 2021, the total of 02 ledger accounts as at 31 December 2021 was Rs. 19,812,600 corresponding to the balances of totaling to debit balance of Rs. 21,263,945 and credit balance of Rs. 1,451,345 were entered as opening balances of the year under review. Written evidences to prove the debit and credit balances were not submitted to the audit.	The reasons for the difference between the opening balances of the 02 ledger accounts are as follows. People's Bank 004100110208647 – Balance as per cash book as at 31.12.2021 is Rs. 373,994. That balance is Rs. 931,060 as per bank statement. Value of unrealized cheques as at 31.12.2021 is Rs. 557,066. BOC Bank – 2323354 According to the cash book as at 31.12.2021, the balance is Rs. 19,438,606. According to the bank statement, the balance is Rs. 20,332,885. Value of unrealized cheques as at 31.12.2021 is Rs. 894,279.	Action should be taken to correct the opening balances in the ledger accounts.
(b) According to the financial statements of the year 2021, the sum of the balances of 03 ledger accounts as at 31 December 2021 is Rs. 5,346,024, but there was a difference of Rs. 2,011,190 between the balances as the opening balance of the ledger accounts for the year under review was Rs. 7,357,214.	The difference in the opening balances of 03 ledger account is differs than the balances as per cash book and bank statement as at 31.12.2021.	Action should be taken to correct the opening balances.
(c) Although the debit and credit balances of Rs. 1,467,383 were in the 02 employee loan interest accounts mentioned in the ledger account No. 60-1271 and 70-3422 have been offset each other, the necessary disclosures had not been made in this regard as per Sri Lankan Accounting Standards.	The percentage of interest charged for employees' disaster loans of the corporation is 4%. At the end of the year, the difference between the bank loan interest rate and the employee loan interest of the corporation rate is reconciled in this employee loan interest (asset) and liability account. The balance of Rs.	It should be done according to the terms of the standard.

1,467,383, which is offset from those two accounts, is the loan interest rate adjustment in the year 2019 and this adjustment has not been made after the year 2019 by omission. It will be rectified from the year 2023.

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| (d) | According to the statement of financial position obtained from the computerized accounting system (Quick Book) of the corporation, the value of total asset is Rs. 1,103,950,458, but according to the statement of financial position submitted to the audit, that value is Rs. 1,247,881,012 and due to that, there was a difference of Rs. 143,930,554 between that balances. | Differences were identified. Corrections will be made in the year 2023. | Identified differences should be adjusted and corrected. |
| (e) | Motor vehicle grant amounting to Rs. 13,600,000, which is not included in the cash flow statement, and the revaluation profit of Rs. 26,450,000, which is adjusted to the statement of changes in equity, were mentioned under the non-affective subjects for the cash flow in the cash flow statement. | The observation is correct. This will be adjusted correctly at the time of recalculation. | The cash flow statement should be prepared correctly. |
| (f) | Although the fixed assets acquisition value during the year under review was Rs. 30,939,583, that value was stated as Rs. 70,989,853 in the cash flow statement. | The observations are correct. Corrections will be made in the year 2023. | The cash flow statement should be prepared correctly. |
| (g) | Due to that the building rent of Rs. 960,000 to be received from the Public Performances Board for the year 2021 was not accounted, the rent to be received and the accumulated profit were less than that amount and the board had not | The observation is correct. The accounts will be disclosed in the year 2023. | Action should be taken to account and disclosure of building rent correctly. |

taken steps to account and disclose the amount of Rs. 13,120,000 which had been compensated for the expenses incurred for the construction of the new building from the rent money related to the period from the year 2019 to May 2022. Also, the amount to be paid to that board for the construction of the new building was not identified and accounted.

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| (h) | According to the financial statements as at 31 December 2022, there was an unrecognized loan balance of Rs. 545,052 included in the Rs. 20,654,773 employee loan balance. | The difference of Rs. 5,830 in the unrecognized loan balance has been recognized and adjusted. But there is an unrecognized balance of Rs. 539,221 more than 20 years old between the main ledger and the sub ledger. Although the Internal Audit department was requested for advices to that, it was not possible to done due to the post of Internal auditor is vacant. Action will be taken in future as the decisions of the loan committee. | Action should be taken to settle unrecognized employee loan balances immediately based on the decision of the loan committee. |
| (i) | Although paid gratuity during the year under review was Rs. 2,323,223, that value was stated as Rs. 2,737,750 in the cash flow statement and accordingly, it was observed a difference of Rs. 414,527. | The observation is correct. The gratuity allocation account includes the settlement of the loan taken by him from the gratuity paid to two officers and the paid gratuity was entitled for one officer. Therefore, these cash payments are stated in the cash flow statement. | Action should be taken to prepare the cash flow statement accurately. |
| (j) | The value of the increase in provision for gratuity to be adjusted under non-cash changes in the cash flow statement was Rs. 2, 009, 657, but the adjusted value of that in the cash flow statement was Rs. 2,669,937. | While calculating the gratuity, adjustments are made for the previous year as the salary increment/ salary increase of the employee is adjusted to his service period. The entire amount is included in the cash flow statement. | Action should be taken to prepare the cash flow statement accurately. |

1.5.4 Un-reconciled Control Accounts or Records

	Subject	Value as per Financial Statements	Value as per corresponding records	Difference	Management Comment	Recommendation
		Rs.	Rs.	Rs.		
(a)	Creditors	330,280,811	364,301,563	34,020,752	The observation is correct. A correction will be made.	The difference should be identified and corrected.
(b)	Film rent debtors	411,680,539	439,289,504	27,608,965	The observation is correct. Rs. 1,387,564 settled in the year 2023. The remaining balance is also been rectified.	The difference should be identified and corrected.

1.5.5 Going Concern of the Organization

Audit observation	Management Comment	Recommendation
Due to insufficient revenue to cover the expenses of the corporation since the year 2001, provision had been made from the treasury for employee salaries and capital expenditure. Due to that the corporation was in a position of continuous operating losses before receiving treasury grants during the year under review and the previous 05 years, it was observed that there is currently uncertainty in the continuation of the corporation without the financial support of the government and short term deposit interest income.	Due to the deviate the film distribution activities owned by the corporation into 05 boards, the corporation had to get money from the treasury due to the loss of income. Revenue streams will be prepared in future and action will be taken to reduce the allocation from the treasury.	Action should be taken to improve the income of the corporation, to build stability of the existence of the corporation and to perform the functions as per the Act.

1.5.6 Lack of Written Evidences for Audit

	Subject	Amount Rs.	Audit evidences not provided	Comments of the Management	Recommendation
(a)	Expenses/ Income	599,276,716	Supportive documents/ written evidences related to journal voucher 135	Supportive documents are not attached with the journal voucher, but these documents are attached to the working file. Action will be taken to submit it correctly.	Action should be taken to submit journal vouchers along with relevant supportive documents.
(b)	Debtor Account Debits Credits	329,577,291 291,649,659	Journal vouchers	There were no answers.	Action should be taken to adjust the ledger accounts through approved journal vouchers.
(c)	Film rental debtor surcharge provisions	161,855,343	Sub documents	Credited based on that it is not charge 75% from the total of surcharges levied annually. Separate schedules have not been prepared. In 2001, only the balances before going to the boards have been entered into the computer and time analysis has not been done. These balances are more than 21 years old.	Action should be taken to submit the age analysis to the audit along with the relevant schedules to verify the provision of surcharges.
(d)	Old film rental debtors	27,789,043	Age analysis		

1.6 Receivable and Payable Accounts

1.6.1 Receivable Money

Audit observation	Comments of the Management	Recommendation
Rs. 354,000 receivable from the welfare association of the corporation which has existed since 05 years and Rs. 1,360,404 receivable for casted films from the Film Development Fund was indicated in the irrecoverable balance. These receivable balances on transactions between the internal divisions of the corporation had not been recovered.	It is informed in writing to pay the receivable amount from the welfare society. Due to decrease the income of casted produced films from the development fund, it had not been recovered.	Action should be taken to recover the receivable loan balances.

1.6.2 Payable Money

Audit observation	Comments of the Management	Recommendation
Out of Rs. 44,917,713 worth of accrued expenses as at 31 December 2022, Rs. 4,523,718 accrued expenses was for payment of transactions which was prior to 5 years ago. These accrued expenses were not settled immediately.	Observation is correct. Part of the corrections has been done and the remaining will be settled in the year 2023.	Accrued expenses should be paid/ settled immediately.

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

Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Management	Recommendation
(a) Section 4 (h) of the Sri Lanka	There were not conducted market researches for films in Sri Lanka and outside Sri Lanka.	Topics for research projects have been selected and discussions are expected with the University of Colombo regarding those projects.	Immediate actions should be taken to conduct market research.

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| (b) | Paragraphs 2 (a) and (b) of Assets Management Circular No. 05/2020 dated 02 October 2020 | The corporation had 14 cars by the year 2021 and 06 vehicles had been taken out of service since the year 2020. Only 05 motor vehicles were in running condition by the year 2022 and action was not taken to repair and use or dispose of non-running vehicles as per this circular. | Several motor vehicles have been repaired until now and that were in running condition. The remaining vehicles will be disposed in future. | Action should be taken to dispose vehicles that are not in running condition as per the circular. |
| (c) | Paragraph 2.3 of Public Enterprises Circular No. 01/2021 dated 16 November 2021 | The National Film Corporation has not been prepared a strategic plan covering the year 2022. | Observation is correct. A strategic plan covering the year 2022 was not prepared. However, the corporate plan for 2023-2025 has been prepared and approved by the Board of Directors and submitted to the line ministry and taken action to correct the deficiencies pointed out there by the guidance of the Public Enterprises Department. | Immediate action should be taken to prepare a strategic plan as per the provisions of the circular. |

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs. 30,688,601 and the corresponding surplus in the preceding year amounted to Rs. 9,417,553. Therefore an improvement amounting to Rs. 21,271,048 of the financial result was observed. Increasing the revenue by Rs. 81,719,646 was mainly caused for this improvement.

3. Operational Review
3.1 Management Inefficiencies

Audit observation	Comments of the Management	Recommendation
<p>(a) Due to that the total of Rs. 83,517,103 out of the loan amount received for the film production and renovation of theaters and the total of Rs. 348,464,266 out of the receivable total amount of Rs. 495,197,641 including arrears of Rs. 411,680,538 to be received from theaters are allocated as surcharge and doubtful debt provisions, net recoverable balance on that date was Rs. 146,733,375. Also, according to the time analysis of theaters submitted for audit, debtor balances of Rs. 214,135,368 are outstanding from more than 05 years and the corporation had not taken steps to recover the money formally and on time.</p>	<p>A total of 143 theaters are currently in operation. All the remaining theaters are closed and their owners cannot be identified. Action will be taken to recover the arrears from existing theaters. Recovery of arrears from closed theaters is also doing.</p>	<p>The process of recovery of loan installments and interest should be implemented in a formal and efficient manner.</p>
<p>(b) A committee had been appointed to recover the arrears to be received to the corporation and the committee meetings had not been held for the year 2023 until 05 September 2023. The committee had failed to make recommendations to recover the arrears. Although the Department of Public Enterprises had given instructions to recover the outstanding loans and arrears of 10 years close to 31 December 2021 according to a formal system, the said instructions had not been taken to recover the outstanding loans.</p>	<p>The loan committee held at one time with a ministry representation during the period under the Ministry of Buddhasasana. This has been delayed due to the change of ministries as the loan committee has not been nominated by the ministry representation. The committee members of the corporation held several meetings.</p>	<p>The loan recovery committees should take decisions immediately and act to recover the arrears as per the instructions of the Department of Public Enterprises.</p>
<p>(c) The head office of the corporation was located in the land of 1.1235 hectares from the plot No. 01 of</p>	<p>The land assigned to this corporation by a special allotment dated 16 May 2000 in</p>	<p>Action should be taken to get legal ownership of the land.</p>

python M.T.K. 9848 located in Kurunduwaththa Grama Niladhari domain of Thimbirigasyaya Divisional Secretariat. Several buildings including the head office of the corporation were constructed and the head office of the corporation was maintained there without transferring the legal ownership of this land to the corporation.

02 plots of 1.0642 hectares and plot No. 04 of 0.8425 hectares of 02 government land plots at python 7702 located in Bauddhaloka Mawatha, Colombo 07 was submitted on 29.10.2007 by the Divisional Secretary of Thimbirigasyaya for registration at the Land Registrar's Office and due to that former President's Secretary informed on 08.12.2007 to be given the part of the land to Thurstan College rugby ground as per the order of His Excellency the President, although that part has been removed and plans have been made for the remaining part and the related legal title deed has been obtained, the Thimbirigasyaya Divisional Secretariat has not yet provided the relevant title deed.

- (d) According to the stock survey papers, a stock of films worth Rs. 5,253,887 was included in the final stock and steps were not taken to get necessary action or remove them from the books regarding those stocks. It will be removed from the accounts books in the year 2023. Officers responsible for the physically unavailable film stock should be identified and necessary action should be taken.
- (e) The commission for the distribution of local and foreign films is a major source of income for the corporation and films were also distributed by private institutions. Although the approval was given to the corporation to take over the system related to film distribution and launching by the cabinet decision No. AMP/21/1024/305/022 dated 14 June 2021, the top management of the corporation had not worked to The decision taken by the Cabinet to abolish the "National film policy and its guidelines" and the court proceedings against it were solved as that can take benefit to corporation party and according to the court order, the system related to film distribution and launching was prepared and the approval of the Cabinet of Ministers was obtained to implement the For the betterment of the corporation, it is appropriate for the top management to implement the decision given by the Cabinet of Ministers and issue the gazette for that purpose.

publish and implement the above fact through a gazette until the audited date of 30 September 2023.

system. However, the relevant gazette notification to take over the process of film distribution to the corporation was prepared and submitted for the signature of the line minister (Prime Minister). However, response has not been received yet.

3.2 Operational Inefficiencies

Audit observation	Comments of the Management	Recommendation
(a) The single-storied building located at premises number 224 belonging to the corporation was given to the Public Performance Board on lease basis since the year 2007. Although both parties have agreed to comply with the conditions included in the lease agreement dated 31 December 2016 and the lease agreement was entered on 23 January 2017 for the period from 01 January 2017 to 31 December 2018, the lease building was demolished and a new two-storied building of 2576 square feet was constructed in violation of the conditions of No. 06 and 08 mentioned in the agreement.	Acted as per board decision.	Before starting the construction of the new building, the relevant approvals should be obtained and management should act to protect the assets of the corporation and take appropriate action against the parties responsible for this matter.
(b) The basic work for the construction of the new building located at premises No. 224 was started on 16 May 2016 and the foundation was laid on 08 January 2017 and the governing body had confirmed the approval for the construction of the building on 27 April 2017 after about a year from the beginning of the construction work. However, an agreement including the conditions related to the construction of the new building, its ownership and settlement of expenses was not reached by the two parties.	Observation is correct. It will be discussed and corrected in future.	The contract should include conditions related to the construction of the new building, its ownership and payment of expenses.

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| <p>(c) Due to the delay in obtaining the assessment reports related to establishing a new lease agreement, lease agreement was not made for the period from 01 January 2019 to 31 May 2022. Until a formal agreement is reached, two parties were agreed that 20 percent from the monthly rental of estimated Rs. 400,000 from the year 2019 to the year 2021 will pay in money subject to revisions and the remaining 80 percent will settle with the incurred cost for the construction of the building, but a lease agreement had failed to be reached until 14 March 2023.</p> | <p>Observation is correct. It will be discussed and corrected in future.</p> | <p>A new assessor should be obtained before the end of the lease period and new agreement should be made.</p> |
| <p>(d) A new agreement was entered on 14 March 2023 for a period of 02 years from 01 June 2022 to 31 May 2024, after 04 years of the last agreement. Any terms regarding the amount to be paid to the Public Performance Board were not included in the agreement.</p> | <p>Observation is correct. It will be discussed and corrected in future.</p> | <p>The agreement should include terms regarding the amount to be paid to the governing body of Public Performance Board.</p> |

3.3 Idle or Underutilized Property, Plant and Equipment

Audit observation	Comments of the Management	Recommendation
<p>(a) Although the GB-1371 van which had been taken out of service was approved for repair and use as per formal procedures in the board meeting held on 23 November 2021, almost 02 years have passed but this van has not been repaired and used.</p>	<p>Although the original board of director decision to auction this vehicle was suspended and then a board of director decision was taken on 23 November 2021, financial allocations were not made for the repair of this vehicle due to the circulars issued by the treasury under the government expenditure restrictions at that time. Necessary arrangements are being made to send the vehicle for repair till now.</p>	<p>Action should be taken to repair and use.</p>

- (b) Due to expiration of the gross films and laboratory equipments of total Rs. 870,659 as at 31 December 2022 from the year 2014 and not in use, it was in an unusable condition and although the Auditor General's report of the previous year had also pointed out this, action had not been taken to dispose of these idle assets.
- Observation is correct. These assets have been identified and those are to be utilized in a proper manner.
- Action should be taken to dispose as per the decisions of the unutilized stock survey boards and existing rules and regulations.
- (c) According to the lease agreement No. 4660, the first floor of the two-storied building located in the premises No. 224 belonging to the corporation had been given to Selacine television up to 14 January 2019 on the monthly rental of Rs. 315,000. The building was handed back to the corporation on 28 March 2022 without updating the lease agreement and without paying the arrears amounting of Rs. 12,111,000. The arrears was not collected until May 2023 and the building was not use productively after 28 March 2022.
- The agreement No. 4660 is made with Selacine Television Corporation on the basis of monthly rental of Rs. 315,000 from 14 January 2014 to 14 January 2019. After that, updating of lease agreement has not been done.
- Although the assessment reports of the 224 building was given, the institute has not agreed to pay the rental according to the value of assessment. In the discusiion with them, it has been agreed to pay the arrears of Rs. 315,000 each which was the previous rent. It will be used productive work in future.
- Action should be taken to recover the arrears and use the building for productive work.
- (d) 7,692 film magazines of more than 10 years were stored in the main warehouse of the corporation with taken the huge space of the warehouse. The Auditor General's report of the previous year had also pointed out that the cost or present value of these materials could not been ascertained from the documents of the corporation and the management had not taken steps to dispose these materials which were getting damaged.
- Most of the publications of the corporation are annual reports. The remaining books will be sold and donated to schools.
- Action should be taken to sell and donate to schools or dispose the remaining books as mentioned in the answer.

3.4 Delays in Projects or Capital Works

Audit Observation

A bilateral agreement had been entered for handing over to the State Engineering Corporation for the construction of a museum named to “Dr, Lester James Peiris” and a library and advisory services for that at a total estimated value of Rs. 99,965,061 and its construction had commenced on 05 April 2019. A total of Rs. 3,134,107 had been paid until 31 December 2022 for this construction, which was commenced without the approval of the Urban Development Authority and the Cabinet of Ministers. The Auditor General’s report also pointed out that this construction work had been abandoned from more than 04 years and the building was being destroyed due to the severe deterioration of the iron rods in the building where the construction was commenced.

Comments of the Management

Estimates have been prepared by the State Engineering Corporation for this project and worked on a bilateral agreement. Currently, the project is hold due to lack of funding. An investigation is carrying for this.

Recommendation

The investigations should be completed immediately and action should be taken as per the instructions given in the Committee on Public Accounts on 19 July 2021.

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit observation

According to section III of paragraph 16 (2) of the National Audit Act No. 19 of 2018 and paragraph 6.6 of the operational manual of Public Enterprises Circular No. 01/2021 dated 16 November 2021, the draft annual report and accounts should be submitted to the Auditor General within 60 days of the end of the accounting year, but the financial statements of the corporation for the year 2022 had been submitted to the Auditor General on 28 July 2023 after a delay of 05 months.

Comments of the Management

Observation is correct. Due to the transfer of ministries, the submission of financial statements for the year 2021 to the government auditor was delayed. Although the financial statements of the year 2022 were prepared on the scheduled dates, the submission of the financial statements of the year 2022 to the audit was delayed until given the Auditor General’s opinion for the year 2021.

Recommendation

Action should be taken to submit the annual report and accounts on the due date as per the National Audit Act and circulars.

4.2 Annual Report

Audit observation

According to section No. 14 of Finance Act No. 38 of 1971 and section 6.5.3 of Public Enterprises Circular No. PED/12 dated 02 June 2003, manual reports in 03 languages should be tabled in parliament within 150 days of the end of the relevant financial year, but the corporation's financial statements of the years 2018, 2019 and 2020 were not submitted to the parliament.

Comments of the Management

A copy of the cabinet decision related to submission of the annual reports of 2018 and 2019 to parliament has been received on 04.10.2023 and after receiving covering letter with signature of the Hon. Minister, the relevant reports will be submitted to the parliament. The 2020 annual report has been submitted to the line ministry for submission to the cabinet.

Should be act as per provisions of the Act.

4.3 Internal Audit

Audit observation

According to the terms of paragraph 40 (1) of the section VII of National Audit Act No. 19 of 2018, although the concerned entity should have its own Internal Auditor, the Internal Audit Division of the corporation remained inactive until December 2021 after the resignation from the service of the Internal Auditor and the officer who worked in the Internal Audit Division.

Comments of the Management

Observation is correct. Government has not approved new recruitments. Recruitment will be done in future.

Should be act as per provisions of the Act.