

National Film Corporation Trust Fund for Film Artistes and Film Technicians - 2013

The audit of financial statements of the National Film Corporation Trust Fund for Film Artistes and Film Technicians comprising the balance sheet as at 31 December 2013 and the income and expenditure account, 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(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 11(4) of the National Film Corporation Trust Fund for Film Artistes and Film Technicians Act, No.3 of 1986. My comments and observations on the above financial statements appear in this report.

1:2 Management's Responsibility for Financial Statements

The 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 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 judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the Trust Fund'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 Trust Fund'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 financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

2. Financial Statements

2:1 Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the National Film Corporation Trust Fund for Film Artistes and Film Technicians as at 31 December 2013 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 Non-compliance with Laws, Rules, Regulations and Management Decisions

Non compliances with laws, rules, regulations and management decisions are given below.

Reference to Laws, Rules, Regulations and Management Decisions

Non-compliance

(a) Paragraph 3 of Section 11 of the National Film Corporation Trust Fund for Film Artistes and Film Technicians Act No.3 of 1986

Two members of the Board authorized by a resolution passed by the Board should sign the Income and Expenditure Account and the Balance Sheet. However, this had not been done.

(b) Public Finance Circular No. PF/PE/09 dated 12 June 2002

Approval of the Treasury had not been obtained for the investments in fixed deposits amounting to Rs. 400,000 as at 31 December of the year under review.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial results of the National Film Corporation Trust Fund for the year under review amounted in a surplus of Rs. 579,972 as compared with the corresponding surplus of Rs.180,328 for the preceding year this indicating an improvement in the financial results amounting to Rs. 399,644. The rectification made for the value of the investment had attributed for the improvement.

4. Operating Review

4.1 Performance

The following observation is made with regard to the total sum of Rs. 19,971,980 awarded as pensions, medical assistance and death assistance for film artistes and film technicians during the 15 years period from 1998 to 2013.

Artistes and technicians who are qualified for award of pensions should be selected annually and should be as contributors the pensions fund. However, such a selection had not been made after the year 2005.

4.2 Management Inefficiencies

(a) Non achievement of Objectives of the Act

The following observations are made.

- (i) A Board of Trustees had been appointed for the administration, management and control of the National Film Corporation Trust Fund according to Section 3 of the Trust Fund for Film Artistes and Film Technicians Act, No.03 of 1986. However, only one session of meeting had been held during the year under review.
- (ii) The following objectives under section 5 of the Act had not been fulfilled even in 2013.
 - Implementation of schemes such as benevolent funds, savings funds, savings or thrift societies and other similar schemes for assisting film technicians and film artistes.
 - To grant a loan, an allowance, a housing facility or similar benefits to eligible film artistes and technicians on completion of 60 years of age.
- (iii) The code of rules prepared to implement the objectives of the Trust Fund had been last amended in the year 2003. Action had not been taken to increase the monthly pensionary contribution of Rs. 2,000 to suit the current situation and to increase the monthly income limit of Rs. 3,000 which entitles for contributions.

(b) Non-implementation of the Decisions of the Board of Trustees

Pensioners are paid pensions from the annual interest derived from fixed deposits of the Trust Fund and the grant of Rs. 200,000 made to the Trust Fund by the Film Corporation. Many important decisions made at its 79th meeting of the Board of Trustees on 21

September 2004 for further improvement of the financial position of the Trust Fund had not been implemented upto 2013.

- (c) The proposed scholarship scheme for a singer to obtain a postgraduate degree at the “Poona” Film Institute by utilizing the Rukmani Devi Memorial Fund amounting to Rs. 462,778 had not been implemented since 1985.

5. Accountability and Good Governance

5.1 Corporate Plan

A Corporate Plan incorporating the year 2013 had not been prepared.

5.2 Unsettled Audit Queries

Adequate money required for monthly payments only should be retained and the balance should be effectively invested so as to improve the Fund in terms of Section 12 of the Code of Rules to be followed for implementation of functions shown in Section 5 of the Trust fund for Film Artistes and Film Technicians Act No. 3 of 1986. The average expenses of a month was between Rs. 100,000 and Rs. 150,000. An average monthly surplus of Rs. 800,000 to Rs.1 million had been retained in a bank current account.

6. Systems and Controls

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

- (a) Accounting
- (b) Investments
- (c) Payment of Pensions