

## **National Film Corporation Trust for Film Artistes and Film Technicians - 2014**

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The audit of financial statements of the National Film Corporation Trust for Film Artistes and Film Technicians for the year ended 31 December 2014 comprising the balance sheet as at 31 December 2014 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 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**

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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**

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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 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**

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### **2.1 Opinion**

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In my opinion, 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 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

## 2.2 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
<p>(a) National Film Corporation Trust Fund for Film Artistes and Film Technicians Act, No.3 of 1986</p> <p style="padding-left: 20px;">i. Section 3</p> <p style="padding-left: 20px;">ii Section 11 (3)</p>	<p>Even though a Board of Trustees should be appointed for administration, management and control of the Trust, a Board of Trustees had not been appointed since year 2013.</p> <p>Two members of the Board authorized by a resolution passed by the Board should be appointed to sign the Income and Expenditure Account and the Balance Sheet. However, it had not been so done.</p>
<p>(b) Public Finance Circular No. PF/PE/09 dated 12 June 2002</p>	<p>Approval of the Treasury had not been obtained for the investment of Rs. 400,000 in fixed deposits.</p>

## 3. Financial Review

### 3.1 Financial Results

According to the financial statements presented, the financial results of the National Film Corporation Trust for the year under review amounted to a deficit of Rs. 370,784 as against the surplus of Rs.579,972 for the preceding year, thus indicating a deterioration of the financial results amounting to Rs. 950,756. Decrease in the other income and increase in the establishment and administrative expenditure had attributed for the deterioration.

### 3.2 Analytical Financial Review

Eighty five per cent of the receipts of the Trust represents the interest income of the investments and its interest rate as well had decrease from 12.5 per cent to 7.5 per cent in this year as compared with the preceding year. Accordingly, it is observed in audit that this situation may adversely affect the future operations of the Trust.

#### **4. Operating Review**

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##### **4.1 Performance**

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Sums totalling Rs. 21,477,980 had been awarded as pensions, medical assistance and death donations for film artistes and film technicians during the 16 years period from the year 1998 to 2014 and sums totalling Rs.1,516,000 comprising Rs.1,506,000 at Rs.2,000 per month as pensions for 63 pensioners and Rs.10,000 as death donation relating to a deceased pensioner had been paid during the year under review.

##### **4.2 Management Inefficiencies**

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###### **4.2.1 Non-achievement of Objectives of the Act**

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The following objectives under section 5 of the Act had not been fulfilled even in the year 2014.

- (i) Implementation of schemes such as benevolent funds, savings funds, savings or thrift societies and other similar schemes for assisting film artistes and film technicians.
- (ii) To make necessary arrangement to grant a loan, an allowance, a housing facility or similar benefits for film artistes and technicians on completion of 60 years of age.

###### **4.2.2 Non-implementation of the Decisions of the Board of Trustees**

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Pensioners are paid pensions from the annual interest derived from fixed deposits of the Trust and the grant of Rs.200,000 made to the Trust Fund by the Film Corporation. Many important decisions made at the seventy ninth meeting of the Board of Trustees held on 21 September 2004 for further improvement of the financial position of the Trust Fund had not been implemented up to the year 2014.

##### **4.3 Transactions of Contentious Nature**

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- (a) A sum of Rs. 360,000 at Rs.2,000 per person per month had been paid without the approval of the Board of Trustees to 15 pensioner artistes whose selection could not be specifically stated and payments are continuously made since January 2014.
- (b) Duties of the Trust had been discharged by the officers nominated by the Chairman of the Film Corporation and the Board and a sum of Rs.64,800 had been paid for covering up the duties without approval of the Board.

##### **4.4 Idle Funds**

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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 the year 1986.

## **5. Accountability and Good Governance**

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### **5.1 Action Plan**

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Although the Trust is an independent body established under an Act of Parliament, a separate Action Plan had not been prepared for the year under review.

### **5.2 Unsettled Audit Queries**

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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 National Film Corporation Trust for Film Artistes and Film Technicians Act No. 3 of 1986. An average monthly surplus of Rs. 800,000 to Rs.1,000,000 had been retained in a Bank current account without being properly invested.

## **6. Systems and Controls**

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Deficiencies in systems and controls observed during the course of 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) Investments
- (c) Payment of Pensions