

National Film Corporation Trust for Film Artistes and Film Technicians - 2015

The audit of financial statements of the National Film Corporation Trust for Film Artistes and Film Technicians for the year ended 31 December 2015 comprising the balance sheet as at 31 December 2015 and the statement of income and expenditure, statement of changes in equity and 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(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 11(4) of the National Film Corporation Trust for Film Artistes and Film Technicians Act, No.3 of 1986. My comments and observations which I consider should be published with the Annual Report of the Trust in terms of Section 14(2)(c) of the Finance Act, 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 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'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'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. Sub - sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary power to the Auditor General to determine the scope and the extent of the audit.

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 for Film Artistes and Film Technicians as at 31 December 2015 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) National Film Corporation Trust for Film Artistes and Film Technicians Act, No.3 of 1986
Section 11 (3)

Two members of the Board authorized by a resolution passed by the Board should sign and furnish the financial statements. However, this had not been so done.

(b) Finance Act No.38 of 1971
Section 11

Approval of the Treasury for the investment of Rs. 12,322,575 existed as at 31 December of the year under review had not been obtained in the year under review or preceding years.

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 ended 31 December 2015 amounted to a deficit of Rs. 705,128 as compared with the corresponding deficit of Rs. 370,784 for the preceding year, thus indicating a deterioration of the financial results by Rs. 334,344 or 90 per cent. Decrease in the other income by Rs.348,244 had mainly attributed for this deterioration.

4. Operating Review

4.1 Performance

- (a) Commencement of contributory pension schemes for Film Artistes and Film Technicians, establishment of benevolent funds, savings funds, savings or thrift societies and other similar schemes, grant of a pension, loan, an allowance, a housing facility or similar benefits, award of financial assistance for those who are unable to engage in the profession owing to physical or mental disability, grant of financial or other assistance in respect of funeral expenses were the objectives of the Trust.

As revenue of the Trust existed in the year under review was not at an adequate level to achieve at least its main objectives, there would be a risk in relation to the collection of funds required for the achievement of those objectives in future. Hence, it was observed that attention should be drawn on the other alternative means of funds collection.

- (b) During the period of 17 years from the year 1998 to 2015, a sum totalling Rs.22,965,980 had been paid as pensions, medical assistance and death donations to the film artistes and film technicians and sums of Rs.1,438,000, Rs.40,000 and Rs.10,000 had been paid as pensions, death donations and medical assistance respectively during the year under review. As a Board of Trustees had not been appointed for the affairs of the National Film Corporation Trust for Film Artistes and Film Technicians up to 31 December 2015, attention had not been focused on the achievement of the objectives such as establishment of savings funds and thrift societies, grant of loans and housing facilities for the beneficiaries.

4.2 Operating Inefficiencies

The following observations are made

- (a) In terms of Section 3.1 and 3.2 of the National Film Corporation Trust for Film Artistes and Film Technicians Act, No.03 of 1986, although a Board of Trust should be appointed for the management and control of the Trust, a Board of Trustees had not been appointed since year 2013. As a result, the following weaknesses in respect of the affairs of the Trust Fund were observed.
- (i) For a vacancy occurs due to the death of an artist or technician drawing pension benefits, the selection of a pensioner qualified from the waiting list had not been carried out in an updated manner.
- (ii) It was observed that without adopting a methodology in ensuring whether the member of the Fund was still alive, the monthly pension was deposited in the bank. Further, a pensioner who obtained his pension without being banked had not presented himself for obtaining pensions of 18 months amounting to Rs.36,000 and therefore, the relevant money had been credited to a Provisions for Unclaimed

Pension Account. Nevertheless, reasons caused to that matter had not been looked into and necessary action had not been taken up to date.

(iii) Since action had not been taken to educate the artists and the technicians on the benefits given by the Trust, improbable situation for enrolling new beneficiaries to the Trust had arisen.

(b) In terms of Section 6.2 (a) of the Act, although funds could be earned by means of suitable measures, no such programme or measure had been put in place during the current year.

4.3 Transactions of Contentious Nature

Without the approval of the Board of Trustees, a sum totalling Rs.720,000 at Rs.2000 per person per month had been paid to 15 pensioner artistes whose selection could not be specifically stated since January 2014 up to the end of the year under review.

4.4 Personnel Administration

In terms of Section 6.2 (d) of the Act, although provision had been made to appoint a separate staff for the functions of the Trust, without doing so, the functions of the Trust had been carried out by the staff of the Film Corporation and as a result objective of the Act could not be achieved.

5. Accountability and Good Governance

5.1 Corporate Plan

Although the Trust is an independent body established under an Act of Parliament, a Corporate Plan had not been prepared so as to include the year 2015.

5.2 Action Plan

An action plan had not been prepared for the year under review.

5.3 Internal Audit

A separate internal audit unit had not been established in respect of the Trust and an internal audit had not been carried out in terms of the provisions in Section 13 (5) (d) of the Finance Act, No.38 of 1971.

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 from time to time. Special attention is needed in respect of the following areas of control.

Areas of Systems and Controls

Observations

(a) Payment of Pensions

Establishment of an internal control for assuring that the pension beneficiaries are still alive and updating the waiting list

(b) Enhancement of the Fund

Enhancement of the Fund so as to be sufficient to pay pensions and medical assistance.