

National Film Corporation Trust for Film Artistes and Film Technicians – 2016

The audit of financial statements of the National Film Corporation Trust for Film Artistes and Film Technicians for the year ended 31 December 2016 comprising the balance sheet as at 31 December 2016 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(3) 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 2016 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

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 2016 amounted to a deficit of Rs. 21,221 as compared with the corresponding deficit of Rs. 705,128 for the preceding year, thus indicating a increase of the financial results by Rs. 683,907 Increases in the other income by Rs.269,822 and Contribution of corporation Rs. 300,000 had mainly attributed for this Increasing.

4. Operating Review

4.1 Performance

Following are objectives of the Trust for film artist and film technician fund Act No.03 of 1986.

- (a) Commencement of Contributory pension schemes film Technicians Establishment of benevolent funds, savings funds, savings or thrift societies and other similar schemes,
- (b) Grant of a pension, loan, an allowance, a housing facility or similar benefits to him .
- (c) 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 or technician's widowers, depended parents or infant child are the objectives of the Trust.

Following observation are made regarding achievement of above objectives

- (i) 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.

- (ii) During the period of 18 years from the year 1998 to 2016, a sum totaling Rs.24, 339,980 had been paid as pensions, medical assistance and funeral expense to the film artistes and film technicians and sums of Rs.1, 374,000 had been paid as pensions, during the year under review. As a Board of Trustees had not been appointed by relevant minister for the affairs of the National Film Corporation Trust for Film Artistes and Film Technicians up to 31 December 2016, 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.3 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 unclaimed pension 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 funds by means of suitable measures, no such useful programmer or measure action had been put in place during the review year.

4.3 Transactions of Contentious Nature

- (a) Without the approval of the Board of Trustees, in terms of section 6(2) (1)(C) of the Act a sum totaling Rs.1,080,000 at Rs.2,000 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 due to non appointed Board of Trustee

5. Accountability and Good Governance

5.1 presentation of Financial Statements

Though, according to the public Enterprises Circular No PED 12 of 02 June 2003 the financial Statements should be prepared and presented to the auditor General Within Sixty days after ending of financial year, financial statements for the year 2016 had been presented on 06 July 2017 after delay of 128 Days.

5.2 Internal Audit

Internal audit of Film Artist and and Film Technician Trust had not been carried out.

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

(a) Control of Payment of Pensions

(b) Financial Management

Observations

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

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