

## **National Film Corporation Trust for Film Artistes and Film Technicians – 2017**

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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 2017 comprising the balance sheet as at 31 December 2017 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 Corporation Trust in terms of Section 14(2) (c) of the Finance Act 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'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 powers to the Auditor General to determine the scope and 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**

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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 2017 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**

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#### **2.2.1 Accounts Receivable and Payable**

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A sum of Rs.72,696 shown as tax payable since the year 2013 had not been settled even by the end of the year under review.

#### **2.2.2 Transactions not supported by Adequate Authority**

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The following observations are made.

- (a) Sums totalling Rs.1,440,000 had been paid to 15 eligible artistes at Rs.2,000 each per month from January 2014 up to the end of the year under review without the approval of a Board of Trustees. The details of the manner in which the artistes were selected for that payment, had not made available to audit.
- (b) A sum of Rs.12,287,172 had been invested as at 31 December of the year under review without the discretion of the Board of Trustees in terms of Section 6(2)(1)(e ) of the Trust Act. Further, it was observed in audit that a Board of Trustees was not functioning for several years.

## **3. Financial Review**

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### **3.1 Financial Results**

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According to the financial statements presented, the financial result of the Corporation Trust for the year under ended 31 December 2017 had been a surplus of Rs. 117,072 as against the deficit of Rs. 21,221 for the preceding year, thus indicating an improvement of Rs. 138,293 in the financial result of the year under review as compared with the preceding year. The increase of Rs.126,463 in the income from investments of the year under review as compared with the preceding year had been the main reason for the said improvement.

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

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##### **4.1 Performance and Review**

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The following functions of the Trust could not be performed due to the non-availability of a Board of Trustees 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.

- (a) Fulfil the objectives of establishing savings funds, savings or thrift societies, granting loans, housing facilities etc.
- (b) Making an arrangement for granting benefits to 102 artistes in the waiting list.
- (c) In the event of the death of an eligible film artiste or technician, selection of an eligible artiste from the waiting list in an updated manner.

##### **4.2 Management Activities**

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The following observations are made.

- (a) The monthly pension had been banked without following a proper procedure to confirm that the member of the Fund is alive.
- (b) A pensioner who obtain the pension without being banked, had not claimed the pension of 18 months amounting to Rs.36,000 and it had been credited to a Unclaimed Pension Provision Account. However, the reasons for not obtaining the pension had not been looked into and not taken the necessary action.
- (c) Even though funds could be raised through suitable methods in terms of Sub-section 6(2)(a) of the Act, no such programme had been implemented or taken an action during the current year.

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

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##### **5.1 Internal Audit**

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An Internal Audit in terms of Financial Regulation 133(1)(a), had not been carried out in respect of the National Film Corporation Trust for Film Artistes and Film Technicians.

#### **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.

Areas of Systems and Controls

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Observations

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| (a) Payment of Pensions     | Lack of an internal control in verifying that the pension beneficiaries are alive and failure to update the waiting list. |
| (b) Enhancement of the Fund | Failure in enhancing the Fund so as to provide benefits adequately.   |