

National Film Corporation Trust for Film Artistes and Film Technicians - 2018

1.1 Unqualified Opinion

The audit of the financial statements of the National Film Corporation Trust for Film Artistes and Film Technicians for the year ended 31 December 2018 comprising the balance sheet as at 31 December 2018 and the statement of income and expenditure, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be tabled in Parliament appear in this report.

In my opinion, the financial statements of the Corporation Trust give a true and fair view of the financial position of the Institute as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Unqualified Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAS). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my unqualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting process.

As per Sub-section 16 (1) of the National Audit Act No. 19 of 2018, the Trust is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Trust.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Institute to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Trust, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Trust has complied with applicable written law, or other general or special directions issued by the governing body of the Trust;
- Whether the Trust has performed according to its powers, functions and duties; and

- Whether the resources of the Trust had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Non-compliances with Laws, Rules, Regulations, and Management Decisions

Audit Observation	Comment of the Management	Recommendation
Reference to the Laws, Rules / Provisions	Non-compliance	
National Film Corporation Trust for Film Artistes and Film Technicians Act, No.3 of 1986.		
(i.) Section 3.1	A Board of Trustees had not been appointed since 2013 for the management and administration of the Trust.	A Board of Trustees should be appointed for the Management and Administration of the Trust.
(ii.) Paragraph 3 of Section 11.	Two members of the Board authorized by a proposal passed by the Board had not signed the financial statements before being presented.	The financial statements should be signed by 2 members of the Board of Trustees before being presented.
	It is the Chairman of the National Film Corporation who also holds the post of Chairman of the Corporation Trust, and the General Manager of the Corporation is a member of the Board of Trustees. As such, action was taken to present the annual statements of account signed by them.	

2. Operating Review

2.1 Non-compliances with Powers, Duties and Functions

The following observations are made.

Audit Observation -----	Comment of the Management -----	Recommendation -----
a) Attention had not been drawn on the means of financing the main objectives of the Corporation Trust such as, formulation of a contributory pension scheme for the film artists and technicians, establishment of savings or provident associations, or similar schemes, and providing housing facilities or any other similar benefits.	The National Film Corporation had drawn attention to achieve the objectives of the Trust, and acted accordingly in the year 2018.	For the achievement of main objectives of the Trust, attention should be drawn on sources of financing.
b) A sum totalling Rs. 5,643,000 had been granted in the year under review as pensions for the film artists and technicians. However, due to failure in appointing a Board of Trustees even by 31 December 2018, attention had not been drawn on activities such as, establishment of funds for saving for the sake of beneficiaries, establishment of provident associations, granting loans, and providing housing facilities.	Once the adequate financial provision is obtained from the Treasury, action is taken for the payment of new pensions to the shortlisted film artists and technicians.	Attention should be drawn on activities such as, establishment of funds for saving for the sake of beneficiaries, establishment of provident associations, granting loans, and providing housing facilities.

2.2 Management Activities

The following observations are made.

Audit Observation -----	Comment of the Management -----	Recommendation -----
a) A sum of Rs. 12,488,687 had been invested by the Trust during the year 2018 in Treasury Bills, repurchase bills of the Treasury, and Treasury bonds. However, investments had not been made ensuring more favorable interest benefits.	Based on information obtained from state banks on the interest rates, investment was made in a fixed deposit of the Bank of Ceylon that had agreed to provide the highest rate of interest.	Investments should be made ensuring highest interest rates / benefits.

- b) In terms of Rule, No. 3.3.5 of the Trust, a retiree is not entitled to receive pension benefits in case he receives a pension benefit, provident fund, or assistance in a different manner. However, action had not been taken in terms of that Rule to collect information or examine the artists to whom pension benefits had been paid by the Trust. Information exists on the deceased pensioners. Beneficiaries suitable to receive the benefits should be identified.
- c) Due to failure in taking action to make aware the artists and the technicians of the benefits provided by the Trust, contribution of the new beneficiaries to the Fund could not be obtained. This had happened due to the inadequacy / changes of the filed information on the eligible beneficiaries. A methodology should be adopted to attract new beneficiaries to the Fund.