

## **National Film Corporation Trust for Film Artists and Film Technicians - 2020**

---

### **1. Financial Statements**

---

#### **1.1 Qualified Opinion**

---

The audit of the financial statements of the National Film Corporation Trust for Film Artists and Film Technicians for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 the section 11(4) of the National Film Corporation Trust for Film Artists and Film Technicians Act No. 03 of 1986 and Article 154(1) 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 and Finance Act No. 38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the trust as at 31 December 2020, 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 Qualified Opinion**

---

My opinion is qualified on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). 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 qualified 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 intend 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 Responsibility 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 scepticism 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 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 trust 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 Audit Observations on the preparation of Financial Statements**

### **1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards**

<b>Non Compliance with the reference to particular Standard</b>	<b>Management Comment</b>	<b>Recommendation</b>
When accounting for treasury bills and fixed deposits in accordance with sections 08 and 56 of Sri Lanka Public Sector Accounting Standards 02, although the investments of the remaining period of 03 months as at 31 December 2020 should be stated as cash and cash equivalents in the Statement of Financial Position and Cash flow statement, the total value of Rs. 5,860,049 due over a 03 months as at 31 December 2020 consisting with 03 treasury bills and a quarterly fixed deposit of Rs. 1,000,000 were not recorded as cash and cash equivalents liquid assets.	I will take action to record accurately according to the accounting standards from the year 2021.	Act in accordance with this standard and answer.

### 1.5.2 Documentary Evidences not made available for Audit

-----  
The following observations are made.

Subject	Amount	Unsubscribed Audit Evidences	Management Comment	Recommendation
	Rs.			
(a) Information on Fund Account 02	1,462,778	Written confirmation of objectives and tasks to be accomplished.	I will forward a board of trustees' paper to the board of trustees in this regard in future.	That the objectives for the establishment of funds should be ascertained and acted upon accordingly.
(b) Payment Vouchers	869,000	Failure to submit 03 payment vouchers.	There was a misalignment during the filling of this voucher.	That all payment vouchers should be submitted to the audit without delay as per the Financial Regulations.

### 1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

-----  
The following non-compliances are made.

	Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a)	National Film Corporation Trust Act for Film Artists and Film Technicians Act No. 03 of 1986.			
(i)	Sections 3(1) and (2)	Although a board of trustees was appointed for the management and control of the trust, a Board of trustees had not been appointed from 2013 to 31 December 2020.	The Board of trustees has not been appointed since 2013 and has been appointed since 2021.	Action should be taken in accordance with the provisions of the Act.

(ii)	Section 5 (1)	Welfare funds, savings funds, savings or thrift societies and other similar schemes designed to assist film artists and film technicians had not been established.	These objectives have not been achieved due to financial difficulties and the lack of a board of trustees.	-Do-
(iii)	Section 5 (2) (a)	There was no attention given to providing loans, grants, housing or other similar benefits to qualified film artists or film technicians.	These objectives have not been achieved due to financial difficulties and the lack of a board of trustees.	-Do-
(iv)	Section 5 (2) (b)	There was no provision for any financial assistance to qualified film artists or film technicians who were unable to pursue their careers due to physical or mental disabilities.	These objectives have not been achieved due to financial difficulties and the lack of a board of trustees.	-Do-
(v)	Section 6 (2) (a)	No action had been taken during the year under review to implement appropriate programmes or procedures to raise funds.	Could not act due to the lack of a board of trustees.	-Do-
(b)	Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka included in paragraph 15.1 of the Public Finance Circular No. 01/2020 dated 28 August 2020.			
(i)	Financial Regulations 877 (1) (c)	No action had been taken to prepare a budget for the year under review by the trust and obtain approval.	There were no answers.	Should be act in accordance with the circular.

- |      |   |   |  |      |
|------|---|---|--|------|
| (ii) | Financial Regulations 877 (2) (c)   | Although the financial statements certified within two months after the end of the financial year should be submitted to the Auditor General for audit, the financial statements for the year of the trust were submitted for audit on 27 January 2022. | The 2020 accounts were delayed as they had to be submitted after receiving the approval for the final financial statements of the end by 31 December 2019. | -Do- |
| (c)  | Financial Regulations 245 and 257 of the Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka. | The total of Rs. 1,644,200 was paid without any guarantee using 10 payment vouchers during the year under review.   | I will correct in future.  | -Do- |

## 2. Financial Review

-----

### 2.1 Financial Result

-----

The operating result of the year under review of the National Film Corporation Trust for Film Artists and Film Technicians amounted to a surplus of Rs. 10,884 and the corresponding surplus in the preceding year amounted to Rs. 530,045. Therefore a deterioration amounting to Rs. 519,161 of the financial result was observed. The main reason for the deterioration was an increase in pension allowance by Rs. 310,000 and the decrease in treasury grants by Rs. 315,000.