

Kandy Esala Perahera Trust – 2012

1. Financial Statements

1.1 Disclaimer of Opinion

Because of the significance of the matters described in paragraph 1.2.3 of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly I do not express an opinion on these financial statements.

1.2 Comments on Financial Statements

1.2.1 Deficiencies in the Preparation of Accounts

The following observations are made.

- (a) Even though the financial statements should be certified by the District Secretary of Kandy who is devolved with the administrative functions of the Esala Perahera Trust in terms of Section 3(I) of the Kandy Esala Perahera Trust Act, No. 34 of 1980, the financial statements for the year under review had been certified by the Divisional Secretary, Gangawata Korale.

- (b) It was stated by the Trust under the accounting policies that the financial statements to be prepared in accordance with the Sri Lanka Accounting Standards, and further it was stated " the accrual basis and the prudence had been considered according to the Sri Lanka Accounting Standards No 03. But the attention of the Trust had not been paid to Sri Lanka Public Sector Accounting Standards (SLPSAS) in terms of public enterprise circular No.PED 54 of 19 June 2010.

1.2.2 Accounting Deficiencies

The following observations are made.

- (a) The interest income on fixed deposit amounting to Rs. 90,493 had been entered twice as interest income and interest receivable on deposits and as such the deficit for the year shown in the financial statements had been under stated by that amount while the current assets had been over stated by same amount.
- (b) The cost of the Elephant Bathing Tank was Rs. 73,350 while the value had become zero after the depreciation. But it had not been revalued and brought to account.
- (c) A sum of Rs. 20,000,000 deposited in the Pramuka Bank by the Esala Perahara Trust had been taken over by the Central Bank of Sri Lanka and handed over to the public Trustee in the year 2002 with closure of Pramuka Bank according to accounted in the financial statements as amount receivable from Public Trustee.

1.2.3 Lack of Evidence for Audit

The evidence indicated against the following items of accounts included in the financial statements had not been presented to audit, therefore it could not be satisfactorily verified or accepted.

Item	Value	Evidence not made available
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	Rs.	
Fixed Assets	98,600	Register of Fixed Assets.
Payment of Staff and Monthly Allowances	232,000	Details relating to assigning the Perahera duties
Aid for "Sathara	1,500,000	Receipts confirming the aid

Devala”		received
Allowance for Senior Lecturer	50,000	Details of services provided on the payment of allowances

1.2.4 Non-compliance with Laws, Rules, Regulations, etc.

 The following non-compliances were observed.

Reference to Laws, Rules, Regulations, etc. -----	Non-compliance -----
(a) Kandy Esala Perahera Trust Act, No. 34 of 1980 ----- Section 19	Even though no fees should be recovered other than the authority on the license issued for reservation of seats, action for properly issuing licenses for reserving 5181 seats had not been taken.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka -----	
(i) Financial Regulations 267(1)	Receipts had not been obtained relating to the payment amounting to Rs. 33,500 made as staff allowances and awarding allowances.
(ii) Financial Regulations 756	A Board of Survey had not been conducted for the year under review.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the deficit for the year under review amounted to Rs.10,738 as against with the surplus of Rs.1,285,005 for the preceding year thus indicating a deterioration of Rs.1,295,743 in the financial results. The decrease of income from the reservation of seats for viewing the Perahera in the year under review by a sum of Rs.1,122,850 had been the main reason for such deterioration.

3. Operating Review

3.1 Operating Inefficiencies

The following observations are made.

- (a) Although 40 artists at the Esela Perehera had been selected in 3 instances by the panel of judges appointed for selection of artistries, the panel of judges had not been made their recommendation and placed the signatures that indicating the artists are suitable for obtaining awards. Therefore, the duties of the panel of judges had not been properly performed as that a sum of Rs. 325,000 had been paid as rewards without proper recommendation.

- (b) A cheque for Rs. 50,000 had been issued on the name of Senior Lecturer of the Faculty of veterinary of the University of Peradeniya without entering in to an agreement for obtaining the anesthesia medical services during the period of conducting Esela Perehera while another sum of Rs. 64,000 had also been paid to him and his staff. Although it should be obtained the anesthetist drugs together with obtaining the services of anesthetic staff, a sum of Rs. 114,000 had become a fruitless expenditure due to non rendition of evidence for obtaining the Elephant anesthetic drugs during the year under review.

3.2 Identified Losses

As a result a sum of Rs. 20,000,000 belonging to the Trust invested in a private Bank, a sum of Rs. 932,000 had been lost by the Trust during the period from 2002 to 2007 based on the calculation of market interest rate and after the adjustment of amount given by the Public Trustee in each year.

4. Accountability and Good Governance

Budgetary Control

The following observations are made.

- (a) Even though the actual income from Fixed Deposits for the preceding year had been Rs.442,850, it was estimated such income as Rs.250,000 for the year under review understating by 44 per cent.
- (b) Expenditure amounting to Rs. 114,000 had been incurred for anesthetic staff during the year under review without preparing prior estimates of expenditure.
- (c) Variances in 03 items of expenditure ranging from 17 per cent to 100 per cent was observed as compared with the estimated expenditure with the actual expenditure for the year under review thus indicating that the budget had not been made use of as an effective instrument of control.

5. Systems and Controls

The weaknesses in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Board of Trustees from time to time by audit queries. Special attention is needed in respect of the following areas of control.

- (a) Budgetary Control
- (b) Collection of Income
- (c) Investments
- (d) Accounting