

Kandy Esala Perahera Trust - 2013

The audit of financial statements of the Kandy Esala Perahera Trust for the year ended 31 December 2013 comprising the balance sheet as at 31 December 2013 and the income and expenditure account and cash flow statement and a summary of significant accounting policies and other explanatory notes was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 16(2) of the Kandy Esala Perahera Trust Act, No. 34 of 1980. My comments and observations which I consider should be published with the Annual Report of the Kandy Esala Perahera Trust in terms of Section 16(3) of the Kandy Esala Perahera Trust 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 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 judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk 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. Discretionary powers are given 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.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Kandy Esala Perahera Trust as at 31 December 2013 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

2.2.1 Accounting Deficiencies

The following observations were made.

The value of investments and the amount receivable thereon had been understated by Rs.97,562 due to non-computation of interest relating to the fixed assets properly.

2.2.2 Lack of Evidence for Audit

The following lack of evidence for audit was observed.

Item	Value	Evidence not made available
-----	-----	-----
	Rs.	
(a) (i) Funds given to "Sathara Devala"	4,000,000	} Receipt acknowledging the cash receipt Estimates of expenditure and reports of expenditure
(ii) Funds given to "Dalada Maligawa"	1,500,000	
(b) Elephant Bathing Tank	73,350	} Register of Fixed Assets
Equipment	25,250	
(c) Expenditure on photographs	79,500	Estimates of expenditure
(d) Expenses of the Staff	250,750	Letters for deployment of services

2.3 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances were observed.

Reference to Laws, Rules, Regulations, etc.	Non-compliance
(a) Kandy Esala Perahera Trust Act, No. 34 of 1980 ----- (i) Section 8(1) (ii) Section 16(3)	----- Even though an advisory committee comprising the Diyawadana Nilame of Sri Dalada Maligawa, the Basnayake Nilames of Kandy Sathara Devalayas, the Divisional Secretary and three members appointed by the President should be appointed, it had not been so done by the Esala Trust. The Annual Report on the activities of the Trust had not been presented to the Auditor General.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka ----- (i) Financial Regulation 168 (ii) Financial Regulation 756	----- A receipt had not been issued for a sum of Rs.125,000 received from a company affiliated to the Government. Boards of Survey had not been conducted for the year under review.
(c) Paragraph 04.1 of Public Finance Circular No. PF/423 of 22 December 2006	----- The approval from the relevant Minister and the Director General of National Budget had not been obtained for the budget presented to audit.
(d) Guideline 1.2.1 of the Government Procurement Guidelines of 2006 on Goods and Works	----- In purchasing, a sum of Rs.26,596 had been overpaid exceeding the minimum price due to non-consideration of the required specifications but considering the specifications of suppliers.

3. **Financial Review**

3.1 **Financial Results**

According to the financial statements presented, the financial result of the Kandy Esala Perahera Trust for the year under review had been a surplus of Rs.753,631 as against the deficit of Rs.10,738 for the preceding year thus indicating a net increase of Rs.764,369 in the financial result for the year under review as compared with the preceding year .

3.2 **Analytical Financial Review**

In comparing the income and expenditure for the year under review of the Esala Perahera Trust with the preceding year, an increase ranging from 17 per cent to 150 per cent was shown in 4 revenue items and an increase ranging from 7 per cent to 99 per cent was shown in every item of expenditure except the payment for anesthetic staff.

4. **Operating Review**

4.1 **Identified Losses**

According to the investment of Rs.20,000,000 held by the Public Trustee, an interest, corresponding with the interest of each year should be computed by the Public Trustee and payments should be made for Perahera activities after deducting 4 per cent of the total interest. Accordingly, out of the interest of Rs.2,000,000, a sum of Rs.80,000 had been deprived to the Trust in the year under review.

5. **Accountability and Good Governance**

5.1 **Corporate Plan and Action Plan**

An Action Plan for the year under review and a Corporate Plan for three ensuing years including the year under review had not been prepared.

5.2 **Budgetary Control**

The following observations were made.

- (a) Expenditure amounting to Rs. 70,000 had been incurred during the year under review without a pre-prepared estimate of expenditure for allowances of anesthetic staff being incurred annually.

- (b) A variance in 04 items of expenditure ranging from 11 per cent to 24 per cent was observed between the estimated expenditure and 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.

6. **Systems and Controls**

Special attention is needed in respect of the following areas of control observed during the course of audit.

- (a) Accounting
- (b) Achieving of the objectives of the Trust
- (c) Incurring Expenditure
- (d) Investments
- (e) Budget
- (f) Corporate Plan and Action Plan