

## **Kandy Esala Perahera Trust - 2015**

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The audit of financial statements of the Kandy Esala Perahera Trust for the year ended 31 December 2015 comprising the balance sheet as at 31 December 2015 and the income expenditure account, 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(1) 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 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 Trust in terms of Section 14 (2) (c) of the Finance Act appear in this report.

### **1.2 Management's Responsibility for the Financial Statements**

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Management is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Principles 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 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. 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 Kandy Esala Perahera Trust as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

### 2.2 Accounting Deficiencies.

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The following observations are made.

- (a.) The Statement of Liability on the preparation and presentation of financial statements, had not been presented together with financial statements.
- (b.) The cash flow statement had not been prepared according to the accepted format.

### 2.3 Non-compliances with Laws, Rules, Regulations, and Management Decisions

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The following non-compliances were observed.

#### Reference to Laws, Rules, and Regulations

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#### Non-compliances

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- (a) Kandy Esala Perahera Trust Act,  
No. 34 of 1980

- (i) Section 8 (1)

Action had not been taken to appoint an advisory committee comprising the Diyawadana Nilame of Sri Dalada Maligawa, the 04 Basnayake Nilames of Kandy Sathara Devalayas, the District Secretary in the administrative district of Kandy, and three members appointed by the President.

- (ii) Section 16 (3)

A report on the activities of the Trust should have been prepared annually and presented to the Auditor General by the Board. Nevertheless, the report for the year 2015 had not been presented even by 21 March 2016.

- (iii) Section 19 (3)

Licenses had been granted by the Trust without considering whether the proposed fee or levy is excessive or unreasonable in granting licenses for seating arrangements by the authorized officer .

(b) Financial Regulations of the  
Democratic Socialist Republic  
of Sri Lanka

Financial Regulation 756

A Board of Survey had not been conducted for the year under review.

**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 Kandy Esala Perahera Trust for the year under review had been a deficit of Rs. 116,613 as against the corresponding surplus of Rs. 1,805,456 for the preceding year thus indicating a deterioration of Rs. 1,922,069 in the financial result for the year under review as compared with the preceding year.

Even though the aids received by the Dalada Maligawa had decreased by Rs. 500,000 whilst the donations from the Presidential Secretariat had increased by Rs. 1,362,500 during the year under review, the decrease in the income from seating arrangements by Rs. 1,897,800, the decrease in the interest income from the deposits of the Public Trustee by Rs. 632,000, and the increase in the payments made to dancing artistes by Rs. 1,262,500, had mainly attributed to the said deterioration.

**4. Operating Review**  
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**4.1 Performance**  
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The objectives of the Trust in terms of the Kandy Esala Perahera Trust Act, No. 34 of 1980, are as follows.

- To provide financial and other assistance to the Sri Dalada Maligawa and the four Devales of Kandy to conduct the annual Mahanuwara Esala Perahera ;
- To encourage and promote the National Arts and Dances which enhance the artistic and cultural value of the annual Mahanuwara Esala Perahera;
- To provide financial assistance to artists and craftsmen whose services would tend to improve the cultural and artistic value of the annual Mahanuwara Esala Perahera;
- To engage in the production of articles to be utilized in the annual Mahanuwara Esala Perahera;
- To hold competitions and to award prizes, certificates -and other forms of recognition to artists and dancers who take part in the annual Mahanuwara Esala Perahera;

- (a.) Action had not been taken to accomplish the following objectives, out of the said objectives
  - (i) Action had not been taken to encourage the National Arts and Dances which enhance the artistic and cultural value of the annual Mahanuwara Esala Perahera.
  - (ii) Failure to engage in the production of articles to be utilized in the annual Mahanuwara Esala Perahera.
  
- (b.) In terms of Sub Section 19 (1) of the Trust Act, no person shall except under the authority of, and other than in accordance with the conditions set out in a licence issued by the Custodian Trustee, provide for a fee or levy any facility for the purpose of viewing the annual Mahanuwara Esala Perahera. Nevertheless, no action whatsoever had been taken by the Trust against the persons engaged in arranging seats without obtaining licences, and due to failure in setting out conditions on the fee or levy to be charged in accordance with Sub Section (4) of Section 19 of the Act, it was observed that external parties had generated enormous income.
  
- (c.) It was set out in the lease agreement entered into between the Municipal Council and the lessee of the corridor of the Queen's Hotel that all the tickets printed by the lessee to be issued to the viewers of the Esala Perahara, should be sealed by the Divisional Secretariat of Gangawatakorale, and 25 per cent of the income should be paid to the Trust thereby obtaining a licence. Nevertheless, the Trust had not acted accordingly.

## **5. 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. Special attention is needed in respect of utilizing the budget as an effective instrument of financial control.