

Kandy Esala Perahera Trust – 2016

The audit of financial statements of the Kandy Esala Perahera Trust for the year ended 31 December 2016 comprising the balance sheet as at 31 December 2016 and the income and 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

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

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

2.1 Opinion

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 2016 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

2.2 Accounting Deficiencies.

The following observations are made.

- (a) Action had not been taken to obtain the receivable annually interest income to the Trust and account for Rs. 20,000,000 which is in the custody of Public Trustee.
- (b) Anesthetic drug stock which had been purchased for Rs. 60,000 during the year under review had been written off against the expenses instead of being accounted as stock.

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

The following non-compliances were observed.

Reference to Laws, Rules, and Non-compliances Regulations

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

- (i) Section 8 (1) and Sentence 9 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. It was unable to take the co-operation of the committee for administration of the Trust.

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

- Financial Regulation 756 and Public Finance Circular No. 05/2016 dated 31 March 2016 A Board of Survey had not been conducted for the year under review.

- (c) Section 4.1 of the Public Finance Circular No. PF/423 dated 22 December 2006
- The budget which was prepared as per the objectives of the Trust had not been forwarded to the Director General of the National Budget and Director General of the Public Finance and obtained the approval before 30 September of the preceding year.

2.4 Transactions not Supported by Adequate Authority

The following matters were observed.

- (a) Even though the authority had not been given to incurred the expenditure for two Objects through the annual budget estimate, a sum of Rs. 135,652 had been spent in the year under review.
- (b) Even though, the Rs. 1,000,000 had been allocated for Kandy Esala Perahera in 2016 through the budget estimates, Rs. 1,500,000 had been spent, thus indicates that Rs. 500,000 had been spent without having the estimated provisions.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Kandy Esala Perahera for the year under review had been a surplus of Rs. 1,916,848 as against the corresponding deficit of Rs. 116,613 for the preceding year thus indicating a improvement of Rs. 2,033,461 in the financial result for the year under review as compared with the preceding year. The increase in the income from seating arrangements by Rs. 3,599,600 had been mainly attributed to the above improvement.

4. Operating Review

4.1 Performance

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 Devalas of Kandy to conduct the annual Esala Perahera;
- To encourage and promote the National Arts and Dances which enhance the artistic and cultural value of the Esala Perahera;
- To provide financial assistance to artists and craftsmen whose services would tend to improve the cultural and artistic value of the Esala Perahera;

- To engage in the production of articles to be utilized in the Perahera;
- To hold competitions and to award prizes, certificates - and other forms of recognition to artists and dancers who take part in the Perahera;

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.

4.2 Management Activities

The following observations are made.

- (a) Decision taken by the Public Trustee as a Insurance Guardian of the Trust, Rs. 20,000,000 had been deposited in a Premuka Bank. Bank become bankrupt and deposited money had been returned to Public Trustee, but a certificate for the value of deposited amount had not been issued to Perahara Trust even as at the date of Audit on 28 April 2017. It was mentioned in the letter dated 29 August 2008 No. PT/5/3/R/30/CT/5(1), Paragraph 3 of the Public Trustee, interest should be given for that money on the basis of the National Savings Bank prevailing interest rate, though the interest had not been received for the year under review.
- (b) Even though, Trust owned excess amount of money Rs. 1.1 million could have been invested in a Fixed Deposit Account, money had been deposited in a normal Savings Account from the month of November 2012.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

Even though the financial statements should be presented to the Auditor General within 2 month after the closure of the accounting year in terms of Public Finance Circular No. PF/423 of 22 December 2006, the financial statements relating to the year under review had been presented to audit on 03 April 2017.

5.2 Cooperate Plan and Action Plan

It had not been prepared a co-operate plan and an action plan for the Institute for the year under review.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Esala Perahara Trust. From time to time special attention is needed in respect of the following area of control.

Areas of Systems and Control -----	Observation -----
(a) Accounting	(i) Not using of Public Sector Accounting Standards. (ii) Not maintaining the Ledger Account properly. (iii) Onmission of assets from the Accounts.
(b) Budgetary Control	Variances exists between budgeted and actual value.