

MahanuwaraEsala Perahera Trust - 2018

1.1 Qualified Opinion

The audit of the financial statements of the Mahanuwarasala Perahera Trust for the year ended 31 December 2018 comprising the Balance sheet as at 31 December 2018 and the Income Expenditure accounts, 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 Article 154(3) 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. My comments and observations which I consider should be reported 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 Esala Perahera Trust as at 31 December 2018, 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 Esala Perahera Trust's Fundability 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 Esala Perahera Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Esala Perahera Trust financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Esala Perahera 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 Esala Perahera Trust.

1.4 Auditor's Responsibility

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 Esala Perahera Trust's 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 Esala Perahera 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 Esala Perahera 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.

- 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 Esala Perahera Trust, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Esala Perahera Trust has complied with applicable written law, or other general or special directions issued by the governing body of the Esala Perahera Trust;
- Whether the Esala Perahera Trust has performed according to its powers, functions and duties; and
- Whether the resources of the Esala Perahera Trust had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Non-compliances with Sri Lanka Public Sector Accounting Standards.

The following observations are made.

Non- compliance with the reference to particular standard	Management Comment	Recommendation
(a) According to paragraphs 70 and 88 of the Public Sector Accounting Standard No. 01 of Sri Lanka, the balance sheet does not disclose current assets in liquid order.	In preparing the financial statements for the year 2019, action will be taken to prepare the financial position focus on this point.	Financial statements should be prepared in accordance with standards.
(b) Sri Lanka Public Sector Accounting Standards No. 2, <ul style="list-style-type: none"> • According to paragraph 9, the savings account balance of Rs 2,951,495 as at December 31 of the year under review were not reflected in current assets. • According to the paragraph (a) and (b), the cash flow should be prepared using either direct or indirect methods, but there was no clear methodology for preparing the cash flow for the year under review. 	Action will be taken to prepare the cash flow statement taking into consideration the facts shown in this year's preparation for the year 2019.	-do-

1.5.2 Accounting deficiencies.

The following observations are made.

Audit Observation	Comment of the Accounting Officer.	Recommendation.
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(a) The interest income for the year under review for a fixed deposit amounted to Rs.10, 335 had been over accounted .	This difference has been observed due to the addition of the relevant tax amount before the levy. It is reporting that it will be adjusted and corrected in 2019.	Value should be accounted for before deducting the withholding tax amount.
(b) The interest income on the fixed deposit of Rs. 20 million invested for the Perahera Trust by the Public Trustee on 25th June 2018 was Rs. 1,216,849, but it had been shown Rs.1,000,000 as receivables in the Financial Statements reduced by Rs.216, 849.	Since the Public Trustee has paid a sum of Rs. 1 million in the past years, that interest amount is also expected for the year 2018.	The interest should be calculated according to the interest rate.

1.6 Non-compliance with laws, rules, regulations and management decisions

The following observations are made.

Refer to laws, rules, regulations, etc.	Non-compliance	Commentary on management	Recommendation
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(a) Kandy Esala Perahera Trust Act No 34 of 1980 Section 8 (1)	Action had not been taken to appoint an Advisory Committee comprising the three members nominated by the president, the Diyawadana Nilame of the Sri Dhalada Maligawa,	It should include three members appointed by the President, but so far no three members have been appointed. However, other members of the Advisory Committee provide necessary advice even when not named as a	An Advisory Committee should be appointed in terms of the Act.

the four committee.
 Basnayake
 Nilames of the
 four Dewalas of
 Kandy and the
 Government
 Agent of the
 administrative
 district of Kandy.

(b) Public Finance
 Circular No. PF / 423
 dated 22nd December
 2006

Section(4)1

Although it was
 stated that no
 expenditure
 should be incurred
 in the relevant
 financial year
 without the
 approved budget
 as per the
 provisions of the
 circular, the
 necessary
 approval had not
 been obtained.

Since no annual
 allocation is made to
 the Esala Perahera
 Trust by any Ministry
 or Department, the
 Annual Estimates had
 been approved by the
 Trust itself.

The Esala Perahera
 Trust should also
 submit the Annual
 Budget Estimate to
 the Director General
 of Budget as per the
 provisions of the
 Circular.

2. Financial review

Financial results

The operating result of the year under review amounted to a surplus of Rs. 263, 607, and the corresponding surplus in the preceding year amounted to Rs. 741,890. Therefore deterioration amounting to Rs 478,283 of the financial result was obtained, and the reason for the deterioration was mainly attributable to a decrease in seat revenues and an increase in anesthetic staffing costs.

3. Operational review

3.1 Recognized losses

The following observations are made.

Audit Observation	Comment on Management	Recommendation
(a) From January 1, 2018 to June 25, 2018, as a result of holding the amount of Rs. 20,000,000 in the current account of the Public Trustee the Perahera Trust incurred a financial loss.	Reported that the Public Trustee will be informed to give the Bank of Ceylon interest at interest rates for 2019 and next years.	The Public Trustee should act immediately to invest in Fixed Deposits.
(b) Although during the 11 months of the year under review amount of Rs. 2 million were in the Savings Account, the money had not been invested in a fixed deposit which would generate higher interest income	It was reported that a savings account was maintained for easy to withdrawal and the Trust intends to transfer a portion of that money to a fixed deposit this year, but this is not possible given the prevailing social conditions.	Taking action to invest money in fixed deposits.

3.2 Management inefficiencies

The following observations are made.

Audit Observation	Comment on Management	Recommendation
(a) There was no arrangement to pay the allowance to the dancers as an honor or tribute to their work. Therefore, that amount of Rs. 8,000 payable to a dancer for the previous year had been credited to the accumulated fund during the year under review.	That the relevant institution was informed to inform the respective dancer.	Action should be taken to encourage dancers at every time.
(b) As a result of Seating without obtaining license, Seating of seats by licensed persons on non-licensed dates and imposition of seats in excess of the number of seats specified in the permit, total	The Trust should be taken steps to levy fines from places where seats were imposed without	Implement a proper internal control system with regard to licensing.

License revenue of Rs 18,400 and the total amount of fines imposed on the number of seats was Rs.207,250 had been lost.

obtaining a license and settler's agents and some licensees even allowed other people to sit in their seats. This situation will be corrected in 2019.

3.3 Operating inefficiencies

The following observations are made.

Audit Observation

Seating income for the year under review declined by Rs 2,432,050, that is a decrease of 33 percent compared to the previous year and the administration had not been focused on increase the fees on seats and correctively charging seats.

Comment on Management

The decrease in seating revenue compared to last year has resulted in a lower financial surplus.

Recommendation

Taking action to improve the main source of income.

4. Accountability and good governance

4.1 Budgetary control

The following observations are made.

Audit Observation

Although an amount of Rs. 616,000 exceeding the estimated budget during the year under review for dancer prizes, anesthesia staff, tribunal allowance and winning cup expenses, approval had not been taken for the year under review.

Comment on Management

It will be reported that approval has been obtained for the preparation of the final accounts for the year under review.

Recommendation

If the estimate is revised it should be done within the year.