

Mahanuwara Esala Perahera Trust - 2019

1. Financial Statement

1.1 Qualified Opinion

The audit of the financial statements of the Mahanuwara Esala Perahera Trust for the year ended 31 December 2019 comprising the balance sheet as at 31 December 2019 and the income and expenditure account, 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 report to Parliament appear in this report.

In my opinion, except for the effect of the matters described in Paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the Mahanuwara Esala Perahera Trust as at 31 December 2019, and of its financial performance and 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 based on the matters described in the 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 Trust's ability 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 Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting process.

As per Sub-section 16(1) of the National Audit Act No. 19 of 2018, the 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 Board.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

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 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 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 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 the following;

- 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 Trust, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Trust has complied with applicable written law, or other general or special directions issued by the governing body of the Institute
- Whether the Trust has performed according to its powers, functions and duties; and
- Whether the resources of the 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-compliance with Sri Lanka Public Sector Accounting Standards

The following observations are made.

Non-compliance with reference to the relevant Standard	Comment of the Management	Recommendation
(a) The assets had not been disclosed in the balance sheet according to the order of liquidity as stipulated in the Paragraphs 70 and 88 of the Standard 01.	The fact that it will be taken into consideration on disclosing the assets in order of liquidity by the balance sheet in the ensuing year.	Financial statements should be prepared according to the Standards.
(b) The opening balance and the closing balance of the savings account amounting to Rs. 2,951,495 and Rs. 21,645 respectively had been stated under the investments by deviating from the Paragraph 09 in the Standard 02. Hence, the cash generated from investment activities during the year under review had increased by Rs. 2,929,849.	It had been brought to account even in the preceding years by considering as an investment and action will be taken to precisely recorded it in accounting for the ensuing year.	Financial statements should be prepared as per the Standards.

1.5.2 Accounting Deficiencies

The following observations are made.

Audit Observation	Comment of the Management	Recommendation
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(a) The fixed deposit interest income of the year under review had been understated by Rs. 48,591.	That the changes occurred in interest rates in the middle of the year and a delay caused in obtaining the final balance to calculate the receivable interest had resulted in this situation and that action will be taken to correct this by making relevant adjustments in the preparation of accounts for the ensuing year.	Interest should be calculated as per the interest rate.
(b) Although the total interest income receivable during the year in respect of the fixed deposit of Rs.20 million of the Esala Perahera Trust retained in the custody of the Public Trustee Department stood at Rs. 2,249,448, it had been stated as Rs. 1,000,000, thus understating by Rs. 1,249,488.	Even though requests were made to pay the total amount of interest, the amount paid by the Public Trustee Department according to the Cabinet Memorandum No . BD/HRD 101/07/3/2014 and November 2014 of the Hon. Minister of Finance and Planning was Rs. 1,000,000 and it has been informed that the same interest has been received for the year 2019 as well.	Interest should be calculated as per the interest rate.
(c) Money had been given to the Trust over many years as the security guardian of the Esala Perahera Trust to conduct the Perahera. Accordingly, Rs. 17,287,452 had been included in the accounts of the Department of Public Trustee as the balance due from the Perahera Trust as at 31December of the year under review, whereas the Esala Perahera Trust had not stated that amount as a balance payable in the financial statements.	That the amount of Rs. 20 million of the Esala Perahera Trust has been deposited in the <i>Pramuka Bank</i> by the Public Trustee who acted as the custodian of the Trust and the money as the relevant interest was paid to the Esala Perahera Trust annually.	Since the custodian of the Esala Perahera Trust is the Public Trustee Department, it is necessary to substantiate whether there is any amount payable.

- (d) The royalty of Rs. 94,000 recovered from interest income of Rs. 2,350,000 received by the Public Trustee on behalf of the Esala Perahera Trust had not been disclosed in the financial statements.
- It is reported that the Department of Public Trustee has not so far informed the Trust that 4 per cent of the relevant interest income has been recovered and the Trust is not liable to pay a fee to the Public Trustee under Section 15 (2) of the Kandy Esala Perahera Trust Act No. 34 of 1980 and that action will be taken to enquire this matter from the Department of Public Trustee.
- An agreement should be reached on the lawfulness of the recovery of the royalty.
- (e) Twenty two set of suits worth Rs.55,000 purchased by the anaesthesiologists in 2019 had been written off as expenses without being brought to account them as stocks.
- The anaesthesiology staff has been given the sets of suits on this occasion after being given such suits 10 years ago. Requests have not been made to return these suits to the Trust. As it is impractical to re-store the used suits, it has been considered as an expenditure of the Trust and the above expenditure does not have to be incurred every year.
- Since such items are used for about 10 years, those should be stated as the stocks in the financial statements

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

The following observations are made.

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comment of the Management	Recommendation
(a) Mahanuwara Esala Perahera Trust Act No.34 of 1980.			
Section 8 (1)	An Advisory Committee consisting of the Diyawadana Nilame of Sri Dalada Maligawa, four Basnayake Nilames of the four Devalas of Kandy, the Government Agent of the administrative district of	In case of appointment of an Advisory Committee, it should be appointed by the Esala Perahera Trust itself and it includes three members nominated by His Excellency the President. Three members have not so	An Advisory Committee should be appointed in terms of the Act.

Kandy and three members to be nominated by the President had not been appointed.

far been appointed for that. However, since the head of the advisory committee is the Hon. Chairman of the Esala Perahera Trust, the Diyawadana Nilame of the Dalada Maligawa, relevant affairs have been carried out without any impediments up to date.

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

Paragraph 4.1

A budget prepared in pursuance of the provisions of the Circular had not been submitted to the Director General of National Budget and the Director General of Public Finance before 30th September of the preceding year.

As it is not specified in the Act that the Esala Perahera Trust falls under a specific line ministry and the annual allocation to the Esala Perahera Trust is not made by any Ministry or Department, the Esala Perahera Trust has taken steps to approve the annual estimate thereof by the Esala Perahera Trust itself.

The Annual Budget Estimate should be submitted to the Director General of Budget in accordance with the provisions of the Circular.

2. Financial Review

2.1 Financial Results

The operations of the Trust for the year under review had resulted in a deficit of Rs. 1,757,602 as against the surplus of Rs. 263,607 for the preceding year, thus observing a deterioration of Rs. 2,021,209 in the financial results. This deterioration was mainly attributed to the decrease in the perahera income by Rs. 1,889,800 and increase in expenditure on the anaesthetic drugs, suits and the staff by Rs. 177,000.

2.2 Non-compliance with Powers, Duties and Functions

Audit Observation	Comment of the Management	Recommendation
No action has been taken to encourage and promote the National Arts and Dances which enhance the artistic and cultural value of the annual Mahanuwara Esala Perahera in accordance with the Section 6 (b) of the Mahanuwara Esala Perahera Trust Fund Act No.34 of 1980.	The fact that the awards and cash prizes are awarded to 20 groups (maximum) involve in the Esala Perahera with the intention of achieving the above objective.	Action should be taken to achieve all the objectives in accordance with the Act.

3. Operating Review

3.1 Operating Inefficiencies

The following observations are made.

Audit Observation	Comment of the Management	Recommendation
(a) Revenue earned from the seats had decreased by Rs.1,898,050 or 38 per cent and license revenue by 27 per cent in the year under review compared to the preceding year.	Although the trust convened a meeting of seating providers and encourage them to increase seat revenue, since there were opportunities to watch the procession in the streets, free of charge and the number of visitors had declined due to the Easter attack, it had contributed to decrease in the seat revenue.	Action should be taken to increase the seat revenue.
(b) During the year under review, 12 persons had arranged seats in 17 locations without licenses.	Action was taken to recover a fine relevant to the places where seats had been arranged without obtaining a license.	A proper internal control system should be put in place when issuing licenses.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comment of the Management	Recommendation
When comparing the budgeted income and expenditure and actual income and expenditure prepared for the year under review, there observed decrease ranging from 30 per cent to 49 per cent in 03 revenue items and decrease ranging from 19 per cent to 100 per cent in relation to 03 items of expenditure and increase in 11 per cent and 15 per cent relating to 02 items of expenditure. Accordingly, the budget had not been made use of as an effective instrument in management control.	The change occurred in interest rates in the middle of the year, watching the Esala Perahera by many people on the pavement instead of buying seats and the decrease in the licenses due to Easter Sunday Attack has given rise to the shortfall of the revenue and the expenditure has risen due to changes in market prices.	If the budgeted revenue and expenditure are not taken place as expected, a revised estimate has to be approved.