

1. Financial Statements

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1.1 Qualified Opinion

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The audit of the financial statements of the Mahanuwara Esala Perahera Trust for the year ended 31 December 2020 comprising the balance sheet as at 31 December 2020 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 and Section 16(2) of the Mahanuwara Esala Perahera Trust Act, No. 34 of 1980. My comments and observations which I consider should be reported 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 2020, 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

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My opinion is qualified based 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

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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

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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 Audit Observations on the Preparation of Financial Statements

### Accounting Deficiencies

Audit Observation	Comment of the Management	Recommendation
<p>a) The interest income on the fixed deposit of the Esala Perahera Trust worth Rs. 20 million being maintained in the custody of the Department of Public Trustee, amounted to Rs. 1,704,139 for the year under review. But, the same had been shown as Rs. 1,000,000. As such, the interest income had been understated by Rs. 704,139 in the financial statements.</p>	<p>Although requests had been made to the Department of Public Trustee that the interest be given in full, only Rs. 1,000,000 had been given for each of the several preceding years. According to the Cabinet Memorandum, No. BD/HRD/101/07/3/2014 of the Minister of Finance and Planning, dated November 2014, the interest amount paid by the Department of Public Trustee, amounted to Rs. 1,000,000. It is informed that the same amount had been expected for the year 2020 as well.</p>	<p>The interest should be calculated in accordance with the rate of interest.</p>
<p>b) A sum of Rs. 16,217,797 had been shown in the accounts of the Department of Public Trustee as a balance receivable from the Esala Perahera Trust as at 31 December of the year under review. However, that sum had not been shown in the accounts as a payable balance by the Esala Perahera Trust.</p>	<p>The Public Trustee, being the custodian of the sum of Rs. 20 million belonging to the Esala Perahera Trust, had deposited that sum in the Pramuka Bank. Interest thereon had been given to the Esala Perahera Trust annually which in turn, had spent those monies to settle the expenses incurred in organizing the procession annually. It is thus reported that the said sum was not meant to be payable to the Department of Public Trustee.</p>	<p>As the Department of Public Trustee is the custodian of the Esala Perahera Trust, it is necessary to verify as to whether a payable balance exists.</p>

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

Reference to Laws, Rules, and Regulations, etc.	Non-compliance	Comment of the Management	Recommendation
(a) Mahanuwara Esala Perahera Trust Act, No. 34 of 1980. Section 8(1)	Action had not been to appoint the Advisory Committee consisting of the Diyawadana Nilame of the Sri Dalada Maligawa, the four Basnayake Nilames of the four Devales of Kandy, the Government Agent of the administrative district of Kandy, and three members to be nominated by the President.	It is observed in accordance with the Act that an Advisory Committee be appointed by the Esala Perahera Trust itself. Three members nominated by the President, should also be included therein. No such members have so far been appointed. As the Head of the Advisory Committee, also being the Chairman of the Esala Perahera Trust, is the Diyawadana Nilame of the Sri Dalada Maligawa, It is informed that those affairs have been executed without being hampered.	An Advisory Committee should be appointed in terms of the Act.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka included under Section 15.1 of the Public Finance Circular, No. 01/2020 dated 28 August 2020.			
(i) Financial Regulation 877 (1) (c)	A budget prepared in accordance with the provisions, had not	Although it is stated that the annual budgets of the funds	A budget should be prepared and presented in

been furnished to the Director General of National Budget and the Director General of Public Finance prior to 30 September of the preceding year.

of the Trust should be presented to the Director General of National Budget and the Director General of Public Finance with the consent of the Secretary to the Ministry, it is not mentioned in the Act that the Esala Perahera Trust belongs to a specific Line Ministry. As such, it is reported that approval of the Secretary to the Ministry can not be obtained, no provision whatsoever is made annually to the Esala Perahera Trust by any Ministry or Department, and action had been taken to approve the annual estimate by the Esala Perahera Trust itself.

accordance with the Circular.

(ii) Financial Regulation 877 (2) (d)

As per provisions, the performance report along with the financial statements should be presented to the Auditor General within a period of 02 months from the closure of the year of accounts. Nevertheless, a performance report had not been presented along with the financial statements.

It is informed that a performance report has not yet been prepared for the year 2020 in the aftermath of COVID-19 prevailed in the year 2020. Necessary action will be taken in the ensuing year.

Reports of accounts should be presented in accordance with provisions of Circular.

## 2. Financial Review

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### Financial Result

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The operating result of the year under review was a deficit of Rs. 516,337 as compared with the corresponding deficit of Rs. 1,757,602 for the preceding year, thus observing an improvement of Rs. 1,241,265 in the financial result. The income from the procession had decreased by Rs. 5,390,600 as the procession had not been allowed for the public in the year under review whilst expenses on the procession had also decreased by Rs. 6,699,374, and hence the improvement in the financial result.