

## **Mahanuwara Esala Perahera Trust - 2022**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Mahanuwara Esala Perahera Trust for the year ended 31 December 2022 comprising the balance sheet as at 31 December 2022 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 Section 16 (2) of the Mahanuwara Esala Perahera Trust Act, No.34 of 1980 and provisions of the National Audit Act No. 19 of 2018 and Finance Act No.38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for 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 2022, 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**

Based on the matters described in Paragraph 1.5 of this report, I express a qualified opinion on the financial statements.

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 Trust.

#### **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 :

- Appropriate audit procedures were designed and performed identify and assess the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained 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. 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
Although the deposit amount of the Public Trustee invested in the Bank of Ceylon matured on 27 June 2022, interest had not been computed to adjust to the new interest rate. As a result, revenue was understated by Rs. 1,035,616.	This will be corrected in the preparation of accounts of the ensuing year.	Interest relevant to the year should be correctly computed and brought to account.

## 1.6 Accounts Receivable and Payable Payables

Audit Observation	Comment of the Management	Recommendation
The expenditure of the anaesthetic staff amounting to Rs. 244,000 accrued in the preceding year was not settled during the year under review.	Action will be taken to make payments by obtaining vouchers in the coming year or credit it to the revenue.	Payables should be settled.

## 1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comment of the Management	Recommendation
(a) F.R. 877(1)(c) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	Without obtaining the Treasury approval for the budget prepared for the year under review and submitting it to the Director General of National Budget and the Director General of Public Finance, an expenditure of Rs. 5,998,920 was incurred during the year under review.	As a ministry is not specifically mentioned, the annual estimates were approved by the Esala Perahera Trust.	Action should be taken in accordance with the Financial Regulations.
(b) F.R. 877(2)(d) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	The financial statements for the year under review were presented to the Audit on 15 March 2023 and the performance report was not submitted together with it	Action will be taken to hand over the accounts on the due date in the ensuing years and as the Trust does not belong to a specific line ministry, approval for the performance report is unable to obtain.	Action should be taken in accordance with Financial Regulations.

## 2. Financial Review

### Financial Result

The operating result for the year under review was a surplus of Rs.4,034,194 as compared with the corresponding surplus of Rs.436,285 for the preceding year. Accordingly, an improvement of Rs.3,597,909 was observed in the financial result. This improvement was mainly due to increase in the revenue from the Esala Perahera and the investments.

## 3. Accountability and Good Governance

### Tabling Annual Performance Report in Parliament

<b>Audit Observation</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
The Audit reports and the performance reports for the preceding year were not submitted to parliament till 28 March 2023 contrary to Paragraph 4.4 of the Public Finance Circular No. PF/423 dated 22 December 2006 and the Letter of the Director General of Public Finance dated 16 July 2020.	This matter will be discussed in a future meeting of the Trust and necessary action will be taken after informing the related divisions.	Action should be taken in accordance with the circular instructions.