

Kandy Esala Perahera Trust - 2014

The audit of financial statements of the Kandy Esala Perahera Trust for the year ended 31 December 2014 comprising the balance sheet as at 31 December 2014 and the income and expenditure account and cash flow statement and a summary of significant accounting policies and other explanatory information 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 Kandy Esala Perahera Trust Act, No. 34 of 1980.

1.2 Management’s Responsibility for the Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards 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 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 misstatement 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 the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Kandy Esala

Perahera Trust as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Lack of Evidence for Audit

The following evidence had not been made available to audit.

- (a) The title certificates to ensure that the elephant bathing tank and the premises costing Rs.73,500 belong to the Esala Perahera Trust shown in the balance sheet, were not available.
- (b) Even though payments of Rs.45,000 had been made to 09 skilled artistes as Presidential awards, there had been no acknowledgements that the amount had been obtained by those artistes.

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

The following non-compliances were observed.

Reference to Laws, Rules, Regulations, etc.

Non-compliances

- (a) Kandy Esala Perahera Trust Act, No. 34 of 1980
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- (i) Section 8(1)

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, had not been appointed.

- (ii) Section 16(3)

A report on the activities of the Trust had not been prepared annually and presented to the Auditor General by the Board.

- (iii) Sections 19(2) and 19(3)

Approval had been granted by the Esala Trust without exact confirmation whether the proposed fee or levy is excessive or unreasonable in granting approval for licences. As such, certain institutions had made seating arrangements for foreigners at exorbitant rates from US\$ 70 to US\$ 85.

(iv) Section 20

In seeking approval to obtain licences for seating in terms of Section 19(1), an income of Rs.1,746,050 had been collected by the Perahera Trust from the seats arranged without permission, exceeding the number of seats mentioned in the applications. However, no legal action in terms of provisions of the Act had been taken in respect of those persons who had made seating arrangements to view the perahera without an approval and seating arrangements on the lake round without approval to view the perahera for various institutions.

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

(i) Financial Regulation 384

The Trust had issued 225 cheques valued at Rs.9,160,421 in the year under review as open cheques without crossing and a Cheque Register had not been maintained.

(ii) Financial Regulation 396

Action in terms of Regulations had not been taken even by 28 February 2015 in respect of 03 cheques with an expiry of 6 months valued at Rs.20,000 issued but not presented to the bank.

(ii) Financial Regulation 756

Boards of Survey had not been conducted for the year under review.

(c) Paragraph 04.1 of Public Finance Circular No. PF/423 of 22 December 2006

Even though the Annual Budget prepared in accordance with the objectives of the Fund should be submitted to the relevant Minister before 15 September of the preceding year by the Governing Authority and Secretary to the Ministry and obtained the approval and submitted to the Director General of National Budget before 30 September, approval had not been so taken for the budget submitted to audit.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Kandy Esala Perahera Trust for the year under review had been a surplus of Rs.1,805,456 as compared with the corresponding surplus of Rs.753,631 for the preceding year thus indicating an

improvement of Rs.1,051,825 in the financial result for the year under review as compared with the preceding year .

4. Operating Review

4.1 Management Inefficiencies

The following observations are made.

- (a) The Kandy Municipal Council had earned tax income amounting to Rs.5,317,500 by leasing out the corridor of the Queens Hotel to view the Esala Perahera in the year 2014 and it had been decided to recover 20 per cent of the income of the Municipal Council of the year 2013 by the report of the meeting held in respect of the Trust on 12 July 2013. However, action had not been taken to recover that amount and such a decision had not been taken in respect of the year 2014.
- (b) The Municipal Council had enforced a tax condition that all tickets printed to be issued to viewers by the lessee in leasing out the corridor of the Queens Hotel should be submitted to the Divisional Secretary of the Gangawata Korale and sealed and paid a fee of 25 per cent to the Perahera Trust and obtained a formal licence. Nevertheless, according to that condition, action had not been taken to obtain the relevant income to the Perahera Trust. As such, the Trust had been deprived of an income of 25 per cent representing Rs.6,126,891 , out of the sum of Rs. 24,507,563 earned within 5 days by the external party with the approval taken for seating arrangements.
- (c) Even though a sum of Rs.28,159,250 had been earned only by seating arrangements for viewers in the Queens Hotel after having leased out to the Municipal Council and external parties, the entire income of the Perahera Trust amounted to Rs. 7,164,250. This was a trivial amount, out of the earnings from the external parties.

4.2 Identified Losses

The Trust had been deprived of a sum of Rs.68,000 due to retaining 4 per cent as income charges of the interest amounting to Rs. 1,700,000 receivable for the year under review to the investment amounting to Rs.20,000,000 held by the Public Trustee.

5. Accountability and Good Governance

5.1 Performing Environmental and Social Responsibilities

As the Kandy Municipal Council and other various institutions had made seating arrangements to view the Esala Perahera without an approval of the Trust, the opportunity to view the Dalada Perahera freely had been lost to the general public. However, no action whatsoever had been taken thereon by the Perahera Trust.

6. Systems and Controls

Special attention is needed in respect of the following areas of control observed during the course of audit.

- (a) Budget
- (b) Incurring Expenditure and Collecting Revenue
- (c) Investments