

## **Mahanuwara Esala Perahera Trust – 2017**

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The audit of financial statements of the Mahanuwara Esala Perahera Trust for the year ended 31 December 2017 comprising the balance sheet as at 31 December 2017 and the income expenditure account, and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13 (1) of the Finance Act, No. 38 of 1971 and Section 16(2) of the Mahanuwara Esala Perahera Trust Act, No. 34 of 1980. My comments and observations which I consider should be published with the Annual Report of the Trust in terms of Section 14 (2) (c) of the Finance Act appear in this report. A detailed report in terms of Section 13 (7) (a) of the Finance Act, was issued to the Chairman of the Trust on 11 July, 2018.

### **1.2 Management’s Responsibility for the Financial Statements**

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Management is responsible for the preparation and fair presentation of these financial statements in accordance with Public Sector Accounting Principles 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**

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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 Auditing 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 misstatements 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 financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

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**

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My opinion is qualified based on the matters described in paragraph 2:2 of this report.

### **2. Financial Statements**

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#### **2.1 Qualified Opinion**

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In my opinion, except for the effect 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 Mahanuwara Esala Perahera Trust as at 31 December 2017 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**

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##### **2.2.1 Sri Lanka Public Sector Accounting Standards**

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The cash flow statement had not been presented according to the Format accepted as per the Sri Lanka Public Sector Accounting Standard 02.

##### **2.2.2 Accounting Deficiencies**

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Action had not been taken to identify and account the interest income receivable for the year under review and the preceding year on the deposit of Rs. 20,000,000 being maintained under the Public Trustee.

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

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The following instances of non-compliance with Laws, Rules, Regulations and Management Decisions were observed.

Reference to Laws, Rules, and Non-compliance  
Regulations, etc.

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| (a.) Financial Regulation 138 (8) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka. | When certifying a voucher, the Certifying Officer should be satisfied that the voucher is accurate and complete in every detail. Although the Trust had incurred fuel expenses amounting to Rs. 15,500 for 3 vehicles belonging to other Departments that had been used for the activities of the Trust, it was not certified that the said fuel expenses had been included in the relevant running charts. |
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- (b.) The Mahanuwara Esala Perahera Trust Act, No. 34 of 1980

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Sections 8(1) and 9

Action had not been taken to appoint an Advisory Committee comprising the Diyawadana Nilame of the Sri Dalada Maligawa, the four Basnayake Nilames of the four Devalas of Kandy, the Government Agent of the administrative district of Kandy, and three members nominated by the President. As such, assistance of the Committee could not be obtained for the administration of the Trust.

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

- (i) Paragraph 4.1

The budget prepared in accordance with the objectives of the Trust had not been presented to the Director General of National Budget and the Director General of Public Finance prior to 30 September of the prior year, thus failing to obtain approval.

- (ii) Paragraph 4.2 (d)

The quarterly reports on the bank accounts of the Trust for the year under review had not been presented to the Director General of Public Finance.

- (iii) Paragraph 4.3

A statement that the performance report and the credit balance of the Fund as at the last date of the relevant year of accounts had been reconciled with the Treasury books, had not been presented with the financial statements.

### 3. Financial Review

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#### Financial Results

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According to the financial statements presented, the financial result of the Mahanuwara Esala Perahera Trust for the year under review had been a surplus of Rs. 741,890 as compared with the corresponding surplus of Rs. 1,916,848 for the preceding year, thus indicating a deterioration of Rs. 1,174,958 in the financial result. The decrease in the income from seating arrangements by a sum of Rs. 1,452,500 in the year under review had mainly attributed to the said deterioration.

## **4. Operating Review**

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### **4.1 Performance**

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#### **4.1.1 Planning**

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An Action Plan and a Corporate Plan had not been prepared for the year under review.

#### **4.1.2 Functionality and Review**

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Action had not been taken to achieve the following objects in terms of Mahanuwara Esala Perahera Trust Act, No. 34 of 1980.

- (a) To encourage and promote the National Arts and Dances which enhance the artistic and cultural value of the annual Mahanuwara Esala Perahera;
- (b) To engage in the production of articles to be utilized in the annual Mahanuwara Esala Perahera.

## **4.2 Management Activities**

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The following observations are made.

- (a) A certificate relating to a sum of Rs. 20,000,000 pertaining to the fund deposited under the custody of the Public Trustee, had not been issued to the Trust even up to 30 April 2018. Furthermore, it had been informed in paragraph 03 of the Letter, No. PT/5/3/R/30/CT/5(i) of the Public Trustee of Sri Lanka, dated 29 August 2008 addressing the Divisional Secretary of Kandy that an interest shall be given to the Trust for the said deposit based on the interest rate of the National Savings Bank for the relevant year, but the amount of interest for the preceding year and the year under review had not been given to the Trust even up to the date of this report.
- (b) The Trust owned a balance of Rs. 1,349,870 in a savings account being maintained with the Bank of Ceylon in Kandy as at 31 December 2017, and another balance of Rs. 1,705,446 in a current account. Even though a balance of over Rs. 1 million had existed in those accounts throughout the year, no action had been taken to invest such monies in a fixed deposit ensuring a higher interest income.

## 5. Systems and Controls

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Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Trust from time to time. Special attention is needed in respect of the following areas of control.

| <b>Areas of Systems and Controls</b> | <b>Observation</b>  |
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| (a.) Accounting                      | (i) Failure to identify and account the receivable interest income.<br><br>(ii) As the drugs purchased for anaesthetic purposes had been written off as an expenditure without being included in the stock of drugs, the stock remaining at the end of the year is not represented in the accounts, and failure in maintaining stock registers thereon. |
| (b.) Financial Control               | Failure in investing the funds in a productive manner.  |
| (c.) Staff Administration            | Failure in properly maintaining the attendance registers and to separately indicate daily routine work of the staff.  |