

Mahanuwara Esala Perahera Trust - 2021

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Mahanuwara Esala Perahera Trust for the year ended 31 December 2021 comprising the balance sheet as at 31 December 2021 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, the financial statements give a true and fair view of the financial position of the Mahanuwara Esala Perahera Trust as at 31 December 2021, 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 Opinion

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 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 Non-compliance with Laws, Rules and Regulations

Reference to Laws, Rules and Regulations	Non-compliance	Comment of the Management	Recommendation
Financial Regulations included in Paragraph 15.1 of Public Finance Circular No.01/2020 dated 28 August 2020.	(a).Financial Regulation 877(1) (d) Although a budget prepared for the ensuing year should be submitted to the Director General of National Budget and Director General of Public Finance for approval of the Treasury prior to 30 September of the year under review, it had not been so done. Nevertheless, a sum of Rs.1,622,788 had been incurred as expenditures that had not been approved according to the budget of the year under review.	As the Act does not indicate that the Esala Perahera Trust falls under a specific line ministry, the approval of the Ministry Secretary cannot be obtained, and since no ministry or department allocates funds to the Esala Perahera Trust annually, the Esala Perahera Trust has approved the annual estimate of the Esala Perahera Trust.	The above regulation has been issued in respect of non-statutory funds and therefore, it should be followed.
(b).Financial Regulation 877(2)(d)	The performance report together with the financial statements should be furnished to the Auditor General within 02 months from the close of the year of accounts. Nevertheless, the financial statements for the year under review had been furnished on 02 June 2022, that is, after a delay of 03	The duties of the Esala Perahera Trust are performed by a staff consisting of the Assistant Divisional Secretary, Account and Management Service Officers of the Kandy Gangawata Koralya Divisional Secretariat. It has been informed that the	Financial statements should be furnished to the Auditor General within the prescribed period in terms of Financial Regulations.

months and the performance report had not been submitted along with that. submission of accounts has been delayed due to prevailing busy schedule of the office.

2. Financial Review

2.1 Financial Result

The operations of the Trust for the year under review had resulted in a surplus of Rs.436,285 as against the deficit of Rs. 516,337 for the preceding year. Accordingly, an improvement of Rs. 952,622 in the financial result was observed. The decrease of Rs. 1,044,744 in the expenditure of the Esala Perahera for the year under review had been the reason for this improvement.

2.2 Management Inefficiencies

The Board of Governors of the Fund was not aware of the amount of Rs.58,000 recovered for the year under review and Rs.86,336 recovered for the previous year on the deposit interest income of the Public Trustee.