

## **Sri Lanka Equestrian Association - 2021**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Sri Lanka Equestrian Association (“the association”) for the year ended 31 December 2021 comprising the balance sheet as at 31 December 2021 and revenue and expenditure account, statement of accumulated fund 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, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Association as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standard for Small and Medium Sized Entities (SLFRS for SMEs).

#### **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 Scope of Audit 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 Accounting Standard for Small and Medium Sized Entities (SLFRS for SMEs), and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

In preparing the financial statements management is responsible for assessing the Association’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 Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association’s financial reporting process.

As per Section 16(1) of the National Audit Act No.19 of 2018, the Association 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 Association.

#### **1.4 Scope of Audit**

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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 it 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 Judgement 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 Association'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 Association'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 Association 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 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 Association, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Association has complied with applicable written law, or other general or special directions issued by the governing body of the Association;
- Whether the Association has performed according to its powers, functions and duties; and
- Whether the resources of the Association 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**

### **1.5.1 Internal Control Over the Preparation of Financial Statement**

<b>Audit Issue</b>	<b>Management comments</b>	<b>Recommendation</b>
A Fixed Assets Register and a Biological Assets Register had not been maintained by the Association.	When handing over the financial statements for the year 2022, we will complete and provide the relevant information.	A Fixed Assets Register and a Biological Assets Register should be maintained.

### **1.5.2 Accounting Policies**

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a) The useful life of the fully depreciated Property, Plant and Equipment which are still in use cost of Rs.2,446,920 had not been revised and adjusted in the financial statement according to section 17.19 of the Sri Lanka Accounting standard for SMEs.	When handing over the financial statements for the year 2022, we will complete and provide the relevant matters.	The useful life time at fully depreciated property plant and equipment should be addicted in accordance with the standards.
(b) Section 34.7 and 34.10 of the Sri Lanka Accounting Standards for SMEs, required disclosures had not been made in the financial	-do -	The disclosures of biological assets should be done in accordance with the

statements relating to the biological assets amounting to Rs.3,150,000.

Sri Lanka Accounting standard for SMEs.

### 1.5.3 Non-compliance with Rules and Regulation

The following non-compliances are made.

Reference to Laws, Rules Regulation	Non-compliances	Comments at the Association	Recommendation
(a) The Government Tender procedure	The Association had acquired two horses for Rs.2,850,000 without following Government tender procedure. Further, action had not been taken to obtain the register books or documents from the seller in order to prove the ownership of the horses and verify the biological data of the horses.	It is hereby informed that henceforth, while buying horses; we will take into consideration the mentioned facts and follow the relevant procedures.	Prompt action should be taken follow the Government Tender Procedure.
(b) The paragraphs 7 (xi) and (xii) of the Regulation of the National Sport Association No. 1 of 2016.	An Action Plan and Corporate Plan had not been prepared as per the Regulation.	When handing over the financial statements for the year 2022, we will complete and provide the relevant information.	An Action Plan and Corporate Plan should be prepared and submit for audit.

## 2. Financial Review

### 2.1 Financial Results

The operating result of the year under review amounted to a deficit of Rs.1,789,144 and the corresponding surplus in the preceding year amounted to Rs.2,125,448. Therefore, a deterioration amounting to Rs.3,914,592 of the financial result was observed. The reasons for the deterioration are decrease the income by Rs. 3,839,337 and increase in the expenditure by Rs.51,750.