

Federation of Motor Cycle Sports in Sri Lanka – 2015

The audit of financial statements of the Federation of Motor Cycle Sports in Sri Lanka for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 and the income statement 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 9 of the Sports (Amendment) Act, No. 47 of 1993. In carrying out this audit, I was assisted by a Firm of Chartered Accountants in public practice. My comments and observations on the above financial statements appear in this report.

1.2 Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted 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

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 misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Federation’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 Federation’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 the 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 Federation of Motor Cycle Sports in Sri Lanka as at 31 December 2015 and its financial performance and cash flows for the year then ended, in accordance with Generally Accepted Accounting Principles.

2.2 Comments on Financial Statements

- (a) The accuracy and reliability of the negative cash in hand position of Rs 84,000 at the end of the year under review is questionable in audit.
- (b) The accuracy and completeness of the income amounting to Rs. 1,363,171 was doubt in audit due to unavailability of receipts for cash and cheques received during the year under review.
- (c) The receivables totalling Rs. 105,105 could not be satisfactorily vouched in audit due to non-submission of evidence such as confirmations or any other supporting documents to verify the balances.

3. Financial Review

According to the financial statements presented, the operations of the Federation of Motor Cycle Sports in Sri Lanka for the year ended 31 December 2015 had resulted in an surplus of Rs.285,495 as compared with the corresponding surplus of Rs.300,062 for the preceding year thus indicating a deterioration of Rs. 14,567 in the financial results. The decrease of total income by Rs. 1,162,692 as against the decrease of total expenses by Rs. 1,148,125 was the main reason attributed for this deterioration.

4. Systems and Controls

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

Control Area

Observations

Accounting

- (i) Non maintenance of primary documents, journals, ledger and register for member organizations
- (ii) Failure to introduce a proper control mechanism over payments and assets management