

Sri Lanka Automobile Sports - 2021

1. Financial Statement

1.1 Adverse Opinion

The audit of the financial statements of the Sri Lanka Automobile Sports (“ the association”) for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of comprehensive income , statement of accumulated general fund comparison and statement of cash flows for the year 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. To carry out this audit I was assisted by a firm of Chartered Accountants in Public Practice.

In my opinion, because of the significance of the matters described in paragraph 1.5 of this report, the accompanying financial statements do not 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 Standards for Small and Medium-sized Entities (SLFRS For SMEs).

1.2 Basis for Adverse Opinion

My opinion is adverse 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 auditing 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 adverse 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 Accounting Standards 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 misstatement, 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 intends 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

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:

- 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 had 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 Observation on the preparation of Financial Statements

1.5.1 Internal Control Over the preparation of financial Statements

Audit Issue	Management Comment	Recommendation
A fixed assets register had not been maintained by the Association. Hence, existence, accuracy and completeness of fixed assets could not be verified in the audit.	Association's comments had not submitted.	Fixed asset register should be properly maintained in order to verify the existence of Non-current Assets.

1.5.2 Documentary Evidences not made available for Audit

Item available	Amount	Evidence not available	Management comment	Recommendation
	Rs.			
(i) Revenue	5,800,655	Proper receipts with reference and members register	Association's comments had not submitted.	Adequate audit evidence should be furnished in order to verify the income.
(ii) Expense	5,220,000	Invoices	Association's comments had not submitted	Adequate audit evidence should be furnished in order to verify the expenses.
(iii) Refundable Deposit	375,000	Balance confirmation	Association's comments had not submitted	Adequate audit evidence should be furnished in order to verify the liabilities.
(iv) Payable	212,880	Independent confirmation	Association's comments had not submitted	Adequate audit evidence should be furnished in order to verify the liabilities.

1.5.3 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
a) Income amounting to Rs.180,000 in 2020 and Rs. 270,000 in 2022 had been recorded as income during the year. Hence, income had been overstated by amounting to Rs.450,000 in the financial statements.	Association's comments had not submitted.	Financial statements must be prepared properly.
b) Opening accumulated fund amounting to Rs.26,897 had been understated in the financial statement due to recording the inappropriate prior year adjustment.	Association's comments had not submitted	Action should be taken to make necessary adjustment in the financial statement.
c) Un-reconciled balance amounting to Rs.7,981 had been recorded as receivable during the year under review. Hence, assets of the association have been overstated by that amount for the year end.	Association's comments had not submitted	Financial statements should be prepared properly.
d) Depreciation charge for the year and the opening balance of accumulated depreciation had been overstated by Rs.19,238 and Rs.25,289 respectively.	Association's comments had not submitted	Action should be taken to make necessary adjustment in the financial statement.

1.6 Accounts Receivable

Audit Issue	Management Comment	Recommendation
Other receivables amounting Rs.1, 026,000 were remained outstanding for over 04 years without being recovered and made necessary adjustment in financial statements. Also sufficient and appropriate audit evidence such as independent confirmation was not been available for audit.	Association's comments had not submitted	Prompt action should be taken to recover receivables and made necessary adjustment in financial statements. As well as, adequate audit evidence should be furnished in order to verify the receivables.

2. Financial Review

2.1 Financial Results

The operating results of the year under review amounted a surplus of Rs.1,008,789 and the corresponding deficit in the preceding year amounted to Rs.557,834. Therefore an improvement amounting to Rs.1,566,623 of the financial results was observed. The reasons for the improvement are increase the income by Rs.5,196,655 higher than increase of expenditure by Rs. 3,704,770.