

Sri Lanka Equestrian Association - 2023

1. Financial Statement

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Equestrian Association (“the association”) for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and statement of comprehensive income, statement of accumulated fund and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information, 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 and Section 21(a) of the Sports (Amendment) Act No.47 of 1993. 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 2023 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

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

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 & Medium Size Entities (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 Accounting Deficiencies

Audit Issue	Management comment	Recommendation
A sum of Rs. 82,400 and Rs.99,962 is payable to the Sugathadasa National Sports Complex Authority and the Federation Equestrian International respectively, as at 31 December 2023 had not been accounted. As a result, the account payable had been understated by Rs. 182,362 and the surplus had been overstated by similar amount.	The Sugathadasa National Sports Complex Authority has confirmed no outstanding amounts from SLEA. However, a human error omitted Rs. 99,962 from accounts payable, requiring corrective measures to prevent future issues.	Action should be taken to prepare financial statements correctly.

1.6 Accounts Receivable and Payable

1.6.1 Payables

Audit Issue	Management comment	Recommendation
The payable balance of Rs. 2,114,718 dues to the player for participation in the Olympic Games was remained outstanding for over 2 years without being settled.	The balance money owed to Ms Mathilda Karlsson of 2,114,718/- will be paid to her upon the sale of 2 horses owned by the SLEA.	Prompt action should be taken to settle the payables.

2. Financial Review

2.1 Financial Results

The operating results of the year under review amounted a surplus of Rs.221,121 and the corresponding surplus in the preceding year amounted to Rs.94,204. Therefore, an improvement amounting to Rs. 126,917 of the financial results was observed. The reason for the improvement is decrease the expenses by Rs.732,505.

3. Operational Review

3.1 Identified Losses

Audit Issue	Management comment	Recommendation
President of the Association has purchased air tickets worth Rs. 343,260 on 26 September 2023 to travel from Hangzhou to Shenzhen and Kunming for the participation of an event. Subsequently this event was not conducted as planned. However, instead of cancelling and en cash the air fare paid, the President make this journey as a private visit. Hence, the above expenditure incurred for this travelling had become the fruitless expenditure.	The cancellation of the air fare would have incurred penalty charges to SLEA and would have been a fruitless expenditure.	Action should be taken to reimbursed the incurred expenses.

4. Accountability and Good Governance

4.1 Corporate Pan

Audit Issue	Management comment	Recommendation
According to Part III of Section 7(xi) of the National Sports Association Regulation No 01 of 2016, a Corporate Plan had not been prepared by the Association.	The development of the corporate plan was delayed till the allocation of horse-riding premises at the Diyagama Mahinda Rajapaksha complex.	Action should be taken to prepare Corporate Plan.