

### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Sri Lanka Volleyball Federation (“Federation”) for the year ended 31 December 2024 comprising the balance sheet as at 31 December 2024 and the statement of income and expenditure, statement of changes in reserves and cash flow statement for the year then ended, and notes to the financial statements, including a 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 Sports Law, No.25 of 1973 as amended by Section 9 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 Federation as at 31 December 2024, 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 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 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 Federation’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 Federation or to cease operations, or has no realistic alternative but to do so.

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

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

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

Audit Issue	Management Comment	Recommendation
According to the audited Financial Statements of the Sugathadasa National Sports Complex Authority, a sum of Rs.3,176,663 had been shown as receivable from the Federation. However, the amount shown in the Financial Statements of the Federation was Rs.987,449. Hence, a difference of Rs.2,189,214 was observed between two balances.	I pointed out that the amount is to be paid by the Department of Sports Development for us.	The Federation should be taken action to resolve this issue and correct amount to be shown in the Financial Statements.

### 1.5.2 Documentary Evidence not made available for Audit

Item	Amount Rs.	Evidence not available	Management Comment	Recommendation
Purchase of Sports Items	1,256,988	Invoices, bills and other related supporting documents	Comments had not been received.	The supporting documents should be submitted to the audit for satisfactorily vouched or accepted those transactions in audit.
Payments for School Volleyball Associations	2,250,000			
	----- 3,506,988 =====			

## 1.6 Accounts Receivable and Payable

### 1.6.1 Payables

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
A sum of Rs.3,235,699 payable over 05 years had not been settled even as at the date of this report.	I point out that the remaining balances for the Sugathadasa National Sports Complex Authority and Sri Lanka Rupawahini Corporation balances.	Prompt action should be taken to settle the payables.

## 1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

<b>Reference to Laws, Rules Regulations etc.</b>	<b>Non-compliance</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a) Inland Revenue Act No. 24 of 2017 and amendments made there to	Although income tax should be calculated on the surplus or profit of the Federation and remitted to the Commissioner General of Inland Revenue, that had not been done accordingly.	I will investigate whether there is a liability to pay income tax in the future.	Income tax is payable as per the Act Provisions.
(b) Paragraph 01 of Internal Circular No. 2022/02 issued by the Director General of the Department of Sports Development on 31 May 2022	Even though all the payments should be made through the banks, in contrary to that, the Federation had made cash payments totalling Rs.4,553,966 in the year under review. Therefore, the transparency of these payments are questioned to audit.	I pointed out that it is not possible to make those transactions through cheques.	Circular instructions should be followed.

## 2. Financial Review

### 2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs.1,225,206 and the surplus against this in the preceding year amounted to Rs.6,170,986. Therefore, a deterioration amounting to Rs.7,396,192 in the financial result was observed. The main reason for the deterioration is decrease of the revenue from sponsorship by Rs.3,614,796 as compared to the previous year.

**3. Operational Review**  
**3.1 Management Inefficiencies**

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
According to the National Sports Calendar for the year 2024, it was planned to hold 10 international competitions and 05 local sports competitions. However, 02 local competitions and 05 international competitions had not been held during the year under review.	Not participated for all the tournaments due to the inability to get support from the Department of Sports Development and sponsors.	The Federation should be conducted the events as planned.