Yachting Association of Sri Lanka - 2025

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Yachting Association of Sri Lanka (“the Association”) for the year ended 31 December2025 comprising the statement of financial position as at 31 December 2025 and the statement of comprehensive income for the year then ended, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements,including a summary of significant accounting policieswas 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 2018and Section 21A 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 financial statements give a true and fair view of the financial position of the Association as at 31 December 2025, 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.

1.2 Basis for QualifiedOpinion

I expressed qualifiedopinion 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 Auditor’s Responsibilities for the Audit of the Financial Statementssection of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for myqualified 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 Standard for Small and Medium-sized Entities, 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’sability 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 Sub 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 Auditor's Responsibility for the Audit of the Financial Statements

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 skepticism 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 tothe 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 Audit scopealso extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documentshave been properly and adequately designed from the point of view of the presentationof information to enable a continuous evaluation of the activities of theAssociation, andwhether such systems, procedures, books, records and other documents are in effectiveoperation;
- 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 Accounting Deficiencies

	Audit Observation	**Management Comment**	**Recommendation**
(a)	According to the computation made by audit, the actual interest income on Fixed Deposits for the year under review was Rs.350,303. However, it was shown in the financial statements as Rs.229,603. As a result, the interest income for the year under review was understated by Rs.120,700.	We will make the necessary corrections in the next financial statements.	Actual income for the year under review should be accounted for.
(b)	Expenditure aggregating Rs.48,000 had not been brought to the financial statements. Therefore, the surplus for the year under review had been overstated by similar amount.	Not answered.	All the related expenditure for the year should be accounted for.

(c)	An advance paid for sea training scheduled to be held in 2026 amounting to Rs.203,640 had been treated as expenses for the year under review, instead of being accounted as current assets. Therefore, the surplus for the year under review had been understated by that amount	This is an advance payment to the coaches for ongoing sea training. Bills will be submitted in 2026.	Advances paid for the activities of 2026 should be accounted for as current assets until settlement.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
Inland Revenue Act No.24 of 2017 and amendments made thereon	The Association had not registered with the Department of Inland Revenue for the payment of income tax.	We as a National Sports body intended to facilitate a National Sport. In the event any tax liability is assessed in addition to the withholding tax, such liability with be complied and paid.	The Association should register with the Department of Inland Revenue.

2. Financial Review

2.1 Financial Result

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The operating result of the year under review amounted to a deficit of Rs.1,124,645 and the corresponding surplusin the preceding year amounted to Rs.3,917,782. Therefore, a deterioration amounting to Rs.5,042,427in the financial result was observed. The main reason for the deterioration is decrease of overall income by Rs.8,055,351 with compared to the previous year.

2.2 Trend Analysis of major Income and Expenditure Items

Analysis of major income and expenditure items of the year under review compared with the preceding year with the percentage of increase or decrease are shown below.

Description	For the year ended 31 December 2025 Rs.	For the year ended 31 December 2024 Rs.	Variance Favorable/ (Adverse) Rs.	Percentage %
Revenue				
Tournament Income	8,148,459	11,559,381	(3,410,922)	29.5
Interest Income	1,699,260	2,311,631	(612,371)	26.5
Special Grant	0	3,487,228	(3,487,228)	100
Other Income	2,771,010	3,315,840	(554,830)	16.4
Operational Expenditure				
Tournament Expenses	8,801,031	11,893,237	3,092,206	25.9
Administrative Expenses	4,744,942	4,731,550	(13,392)	0.3
Finance Expenses	197,400	131,511	(65,889)	50.1

Attention should be paid to increase the income of the Association.

3. Operational Review

3.1 Performance

Audit Observation	Management Comment	Recommendation
As per the information made available for audit, it was planned to hold 10 local competitions, 02coaching camp activities and to participate 06 international events during the year 2025. However, out of that, 03 local competitions and 02 coaching camps had not been held, and Association had participated for only 02 international competitions during the year under review.	Not answered.	Realistic plan target should be established and all steps should be taken to achieve targets.

3.2 Operational Inefficiencies

Audit Observation	Management Comment	Recommendation
The players of the Association had been participated to the Langkawi sailing Championship-2025 held during the period from 13 to 20 February 2025 in	Not answered	All details of international competitions should be disclosed separately through the financial

Malaysia. However, details such as names and number of players participated, recommendation of National Selection Committee, approvals from the Line Ministry and details of income and expenditure for this Championship had not been presented for audit.

statements.