

## **Volleyball Federation of Sri Lanka - 2016**

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The audit of financial statements of the Volleyball Federation of Sri Lanka for the year ended 31 December 2016 comprising the balance sheet as at 31 December 2016 and the income and expenditure account and the statement of cash flow and significant accounting policies for the year then ended and a summary of other explanatory 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 Section 9 of the Sports (Amendment) Act, No. 47 of 1993. My comments and observations on the above financial statements of the Federation appear in this report.

### **1.2 Responsibility of the Executive Committee for the Financial Statements**

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The Executive Committee 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 Executive Committee 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**

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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 . 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 risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of 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 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**

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My opinion is qualified based on the matters described in paragraph 2.2 of this report.

## **2. Financial Statements**

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### **2.1 Qualified Opinion**

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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 Volleyball Federation of Sri Lanka as at 31 December 2016 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**

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#### **2.2.1 Accounting Deficiencies**

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The stock of sports items valued at Rs.169,850 that should be included as current assets in the year under review had been accounted as fixed assets.

#### **2.2.2 Lack of Evidence for Audit**

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The following observations are made.

- (a) Even though a sum of Rs.25,560,000 had been received from the sponsors for 4 tournaments and a training course conducted in the year 2016 ,the documents including the Agreement entered into with the sponsor relevant to that had not been furnished to audit.
- (b) As a Register on the advances paid to the various parties in the year under review had not been maintained, the details on payment of advances, settlements and unsettled advances were not furnished to audit.

#### **2.2.3 Accounts Receivable and Payable**

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A sum of Rs.9,134,709 payable to 10 Institutions had been brought forwarded from the period of two years without being settled.

### **2.3 Non- compliance with Laws, Rules , Regulations and Management Decisions**

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Even though in terms of Financial Regulation 757 of the Democratic Socialist Republic of Sri Lanka, the Annual Board of Survey should be conducted at the end of each financial year, the Volleyball Federation of Sri Lanka had not conducted a Board of Survey for the year 2016.

### **3. Financial Review**

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#### **3.1 Financial Results**

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According to the financial statements presented, the operations of the Volleyball Federation of Sri Lanka for the year ended 31 December 2016 had resulted in a surplus of Rs.8,715,285 as against the deficit of Rs.2,719,394 for the preceding year, thus indicating an improvement of Rs.11,434,679 in the financial results. Increase of the income by Rs.40,029,889 had mainly affected for this improvement.

### **4. Operating Review**

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#### **4.1 Cadre Administration**

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An approved cadre or Scheme of Recruitment had not been prepared for the Volleyball Federation of Sri Lanka .Further, personal files for the employees of the Federation had not been maintained.

### **5. Accountability and Good Governance**

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#### **5.1 Budgetary Control**

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A budget approved by the Executive Committee in the year under review for a proper financial control in terms of Paragraph 5.2.5 of the Public Enterprises Circular No.PED/12 dated 02 June 2003 should be prepared. However, the relevant operating activities had not been carried out accordingly.

### **6. Systems and Controls**

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Weaknesses 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.

#### Areas of Systems and Controls

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#### Observations

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(a) Budgetary Control

A budgetary control had not been established as able to achieve the expected objectives of the Federation.

(b) Accounting

A proper classification had not been carried out between the non-current assets and current assets.