

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Volleyball Federation (“Federation”) for the year ended 31 December 2019 comprising the balance sheet as at 31 December 2019 and the statement of income and expenditure, statement of changes of accumulated funds and cash flow statement for the year then 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 No19 of 2018. 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 2019, 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 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 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 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 intends 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, 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 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 Financial Statements

1.5.1 Accounting Deficiencies

Audit Observation	Management Comment	Recommendation
(a) The furniture, office equipments and sports equipments costing Rs. 536,252 which are further being used had been fully depreciated due to not reviewing the effective life period of non – current assets annually and action had not been taken to revise the estimated error.	Action will be taken to revise the estimated error in the year 2020	Action should be taken to review effective life period of fully depreciated equipments in annually.
(b) The depreciation of the office equipments and sports equipments for the year under review was overstated by Rs. 187,699. As a result the deficit for the year under review was higher than that and the net value of fixed assets was lower than that.	Action will be taken to state as prior year adjustment in the year 2020	Action should be taken to account cost value and depreciation value of fixed assets in correctly.
(C) A sum of Rs.6,875,000 had been incurred in the year 2020 for the sports competitions were scheduled to be held in 2019 and which was held in the year 2020 stated as sports competitions expenses for the year under review, the sponsorship income received in the year 2020 amounting to Rs.3,250,000 stated as income for the year under review in the financial statements.	A sum of Rs. 3,250,000 received in the year 2020 had been accounted as sponsorship income receivable for the year 2019. It is not the sponsorship income for the year 2020	Only the expenses incurred for the tournaments held in the relevant year should be accounted for in that year .

1.5.2 Unreconciled Control Accounts

Item	As per financial statements Rs.	As per corresponding record Rs.	Difference Rs.	Management Comment	Recommendation
Payable to Sugathadasa National Sports Complex	987,449	1,210,416	222,967	According to the financial statement only Rs. 987, 449 has been reported to the federation	Identify unreconciled balances and should be made correct adjustment in the accounts accurately.

1.5.3 Documentary Evidence not made available for Audit.

The following items of accounts could not be satisfactory vouched or accepted in audit as the audit evidence indicated against them were not produced.

	Subject	Amount	Evidence not made available	Management Comment	Recommendation
(i)	Tournament expenses	7,377,619	Expenditure details. Approved estimates Bills and Receipts that money has been received.	Action will be taken to provide estimates and expenditure details	Adequate and suitable audit evidence relating to the assets, Income and expenditure should be furnished
(ii)	Sponsorship Income	19,139,800	Sponsorship agreement	Action will be taken to get relevant agreement in the year 2020	
(iii)	Income	94,000	Receipts	Action will be taken correct in the year 2020	
(iv)	Various assets	16,150	Schedules	Action will be taken to review and provide in the year 2020.	

1.6 Accounts Receivable and Payable

1.6.1 Payables

Audit Observation	Management Comment	Recommendation
Action had not been taken to settle 2 balances payable to two government institution totalling Rs.2,987,449 which old 5 years and 01 balance of accrued expenses amounting to Rs. 5000 which old 3 years.	Agreed.	Prompt action should be taken to settle the payable balances.

2. Financial Review

2.1 Financial Result

The Operating result of the year under review amounted to a deficit of Rs. 8,060,258 and the corresponding deficit in the preceding year amounted to Rs. 3,332,963. Therefore an deterioration amounting to Rs. 4,727,295 of the financial result was observed. The reasons for the deterioration is decrease the operating income by Rs. 26,801,251.

3. Accountability and Good Governance

3.1 Action Plan

Audit Observation	Management Comment	Recommendation
Annual action plan had not been prepared for the year under review interms of No 01 2016 National sports Associations Regulation 7 (XII)	Agreed	Annual action plan should be prepared in terms of Nation sports Associations regulations

3.2 Internal Audit

Audit Observation	Management Comment	Recommendation
An income of Rs. 62.2 million and an expenditure of Rs. 70.3 milion were in the federation during the year under review and the value of the total assets as at 31 December 2019 had been Rs. 5.5 milion. However, The Board of management had not paid attention to the implementation of an internal audit regarding the activities of the Federation.	Agreed	An Internal Audit should be carried out regarding the transactions of the federation.