

**1. Financial Statement**

**1.1 Disclaimer of Opinion**

The audit of the financial statements of the Sri Lanka Basket Ball Federation (“the Federation”) for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of income, statement of changes in equity, statement of cash flows 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 No19 of 2018 and Section 21A 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.

I do not express an opinion on the accompanying financial statements of the Federation. Because of the significance of the matters described in paragraph 1.5 of this report. I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

**1.2 Basis for Disclaimer of Opinion**

I do not express an opinion on the accompanying financial statements of the Federation 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.

**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 misstatements 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 responsibility is to conduct an audit of the Federation’s financial statements in accordance with Sri Lanka Auditing Standards and to issue an auditor’s report. However, because of the matters

described in the Basis for Disclaimer of opinion section, I was not able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

## **1.5 Audit Observations on the preparation of Financial Statements**

### **1.5.1 Going Concern of the Organization**

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
Even though the Federation has made a net surplus of Rs.139,710 for the year ended 31 December 2022, the accumulated deficit of the Federation was Rs.1,630,520 as at the end of the year under review. Meanwhile, the Federation's current liabilities exceeded its current assets by Rs.6,431,410 and total liabilities exceed its total assets by Rs.5,371,526. This indicate that a material uncertainty exists that may cast significant doubt on the Federation's ability to continue as a going concern. However, the financial statements of the Federation do not contain a disclosure on going concern.	The executive committee of the Federation had considered this matter and made arrangements to fund through the Olympic Committee.	The Federation should disclose about its ability to continue as going concern.

## **1.6 Accounts Receivable and Payable**

### **1.6.1 Payable**

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
Accrued expenditure as at 31 December 2023, was Rs.7,654,122 out of that a sum of Rs.455,526 had remained since the year 2021 without being settled.	Relevant bills for the accrued expenses had been forwarded.	Prompt action should be taken to settle the payables.

## **1.7 Cash Management**

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
An unidentified debit balance of Rs.5,199 was observed in the bank reconciliation statement prepared for the month of December 2023. However it had not been cleared even as 31 July 2024.	Identified the cheque of Rs.5,200 and to be correct immediately.	Prompt action should be taken to identify the balances and clear it.

## **2. Financial Review**

### **2.1 Financial Results**

The operating result of the Federation for the year under review amounted to a deficit of Rs.1,630,520 and the corresponding surplus against this in the preceding year amounted to Rs.139,710. Therefore, a deterioration amounting to Rs.1,770,230 of the financial result was observed. The reason for the deterioration was increase the total administrative expenses by Rs.13,123,482, as against the increase of total income by Rs. 11,353,252 as compared with the previous year.