

**1. Financial Statements**

**1.1 Opinion**

The audit of the financial statements of the Sri Lanka Taekwondo 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 equity 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, 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 Opinion**

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 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 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 thereto	Although income tax we are now consulting with tax professionals to ensure all statutory obligations are met from the year 2025 onward.	we should be calculated on the surplus or profit of the Federation and remitted to the Commissioner General of Inland Revenue, it had not been done accordingly.	Income tax is payable as per the provisions of the Act.
(b)	National Associations of Sports Regulations No. 01 of 2024, published in the Extraordinary Gazette No.2382/32 dated 03 May 2024.			
	(i) Part III	A sum of Rs.50,000 had been paid in cash for a funeral contrary to the duties, powers and functions of the Federation.	Approval for this payment was obtained at the Executive Committee meeting.	Sports Regulations should be followed.
	(ii) Section 6(i) of Part III	A progress report had not been submitted about the Taekwondo sport had been developed and promoted in each province.	Comments had not been received.	Sports Regulations should be followed.

(c) Internal Circular No. 2022/02 issued by the Director General of the Department of Sports Development on 31 May 2022	(i) Section 01	Even though all the payments should be made through the banks, in contrary to that, the Federation had made cash payments totalling Rs.6,399,600 during the year under review.	Will take measures to reduce such practices in future.	Circular instructions should be followed.
	(ii) Section 03	The approvals and certifications for a voucher should be obtained from two officers when making payments. However, in contrary to that the Federation had made the payments during the year under review.	From 2025 onward, all payments will be made with the approval by two of the officers.	Circular instructions should be followed.

## 2. Financial Review

### 2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.2,179,496 and the corresponding surplus in the preceding year amounted to Rs.2,569,053. Therefore, a deterioration amounting to Rs.389,557 in the financial result was observed. The main reason for the deterioration is increase of the event expenses by Rs.1,745,991 as compared with previous year.

## 3. Operational Review

### 3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
As per the National Sports Calendar for the year 2024, it was planned to hold seventeen (17) international competitions and nine (09) local sports competitions. However, only six (06) local sports competitions and fifteen (15) international competitions had not been held during the year under review.	Agreed.	The Federation should be conducted the events as planned.