

1. Financial Statements

1.1 Adverse Opinion

The audit of the financial statements of the Cycling Federation of Sri Lanka (“The Federation”) for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of income and expenditure, statement of changes in equity and 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 No. 19 of 2018 and Section 21A of the 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, because of the significance of the matters described in paragraph 1.5 of this report, the accompanying financial statements do not 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 Adverse Opinion

I am expressing an adverse opinion on the financial statements 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 adverse 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 it 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 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 Audit Observations on the preparation of Financial Statements

1.5.1 Non-Compliance with Sri Lanka Accounting Standards for Small and Medium-sized Entities (SLFRS for SMEs)

Non-compliance with the reference to particular Standard	Management Comment	Recommendation
According to the Sri Lanka Accounting Standards 2.36 for Small and Medium-sized Entities (SLFRS for SMEs), All income and expenditure should be recognized on accrual basis. However, the Federation had recognized its membership fee on cash basis. As a result, the accuracy of the receivable membership fee as at the end of the year under review could not be ascertained in audit.	The membership has not clearly given the break down for the fees paid. Therefore the total value deposited by the clubs after deducting the license applicant fees has been recorded as membership fees.	The Federation should comply with the Sri Lanka Accounting Standards for Small and Medium-sized Entities (SLFRS for SMEs)

1.5.2 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
The opening balances of non-current assets, current assets, accumulated funds and current liabilities amounting to Rs. 81,280, Rs. 1,295,501, Rs. 53,720 and Rs. 1,323,061 respectively had not been brought to the financial statements since year 2021. Therefore, the financial	This matter has been repeatedly highlighted at the previous audit queries.	Financial statements should be prepared by including the opening balances.

position of the Federation as at 31 December 2024 does not give a true and fair view.

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

Reference to Laws, Rules Regulations	Non-compliance	Management Comment	Recommendation
Section 3 (1) (ii) of Part II of National Association of Sports Regulations No. 01 of 2024 published in the Extraordinary Gazette No. 2382/32 dated 03 May 2024.	The Federation shall submit a Corporate Plan including the strategies for the improvement of the current international grade level, expected targets within the relevant period and performance level should be submitted to Director General Sports for approval within 03 months from the effective date of these Regulations. However, the Federation had failed to submit such plan for approval.	The Federation was unable to comply with the said regulation as the term has ended abruptly and without a prior notice.	The Federation should comply with Sports Regulations.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs. 1,092,432 and the corresponding surplus in the preceding year amounted to Rs. 34,048. Therefore an improvement amounting to Rs. 1,058,384 of the financial result was observed. The reasons for the improvement are decrease of sports tournaments expenses and commissaries course expenses by Rs. 967,202 and Rs. 102,000 respectively with compared to previous year.

3. Operational Review

3.1 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
Although 18 local competitions, 04 foreign competitions and 14 workshops had been scheduled to be held in the year 2024, the progress report had not been submitted to confirm whether those were held as scheduled.	The Federation had been unable to publish its progress report, owing to the decision of the Hon. Minister of Sports to abruptly cease the function of Federation without notice with effect from 29 May 2024.	The Federation should submit the progress report to evaluate the performance of the Federation.