**National Association of Canoeing and Kayaking - 2024**

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## 1. Financial Statements

### 1.1 Qualified Opinion

The audit of the financial statements of the National Association of Canoeing and Kayaking ("the Association") 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, statement of cash flows 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 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, 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 Association 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 Standard 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 standards are further described in the Auditor's Responsibilities for the Audit of the financial statements 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 the Association'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 Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Association 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 Association.

### 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 Association'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 Association'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 Association 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 Association and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Association has complied with applicable written law, or other general or special directions issued by the governing body of the Association;
- Whether the Association has performed according to its powers, functions and duties,
- Whether the resources of the Association had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

**1.5 Audit Observation on the preparation of Financial Statements**

**1.5.1 Non-Compliance with Sri Lanka Accounting Standard for Small and Medium-sized Entities**

| | Non-compliance with the reference to particular standard | Management comment | Recommendation |
|---|---|---|---|
| (a) | According to paragraph 2.52 of Sri Lanka Accounting Standards for Small and Medium-sized Entities, Association shall not offset assets and liabilities, or income and expenses, unless required or permitted by this standard. In contrary to that, the income of Rs. 6,390,180 received for a tournament had been offset against its expenses of Rs. 3,896,967 and the net effect of Rs. 2,493,213 only had been recognized as income. As a result, the income and expenses for the year under review had been understated by Rs.3,896,967. | The preparation of financial statements will be carried out in accordance with paragraph No. 2.52 of Sri Lanka Accounting Standards for Small and Medium-Sized Entities. | Adhere to the SLAS for SMEs. |
| (b) | In terms of paragraph 2.36 of Sri Lanka Accounting Standards for Small and Medium-sized Entities all income and expenses should be recognized on the accrual basis. However, the Association had recognized its interest income on cash basis. As a result, the surplus for the year under review had been understated by Rs. 89,440. | In future, the relevant interest income will be calculated and included in the financial statements | Adhere to the SLAS for SMEs. |

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

| | Reference to Laws, Rules Regulations etc. | Non-compliance | Management comment | Recommendation |
|---|---|---|---|---|
| (a) | Section (xiv) of Part III of Codes of Guidelines issued by the Department of Sports Development | Although a board of survey report on fixed assets should be submitted to the audit at the end of each year that report had not been submitted to Audit. | A survey will be conducted regarding the fixed assets and the report will be submitted for audit. | Guidelines should be followed. |
| (b) | Section 2 of Internal Circular issued No. 2022/02 by the Department of Sports Development on 31 May 2022 | The accuracy and the reliability of the income of Rs. 3,596,728 shown in the financial statements could not be ascertained in audit due to non-issuance of receipts by the Association for the income received during the year under review. | In future, a receipt will be issued for every amount received by the association. | Circular instructions should be followed. |

### 1.7 Non -compliance with Tax Regulations

| Audit Issue | Management comment | Recommendation |
|---|---|---|
| According to Inland Revenue Act, No.24 of 2017 and amendments made thereto, income tax on the surplus or profit of the Association should be calculated and remitted to the Commissioner General of Inland Revenue. However, the Association had failed to do so. | In future, income taxes will be calculated and paid in accordance with the Inland Revenue Act, No. 24 of 2017. | Act provision on income tax should be followed. |

## 2. Financial Review

### 2.1 Financial Results

The operating result of the Association for the year under review amounted to a surplus of Rs.1,976,376 and the deficit against this in the preceding year amounted to Rs. 296,582. Therefore, an improvement amounting to Rs. 2,272,958 in the financial result was observed.

Receipt of grant for a tournament and program amounting to Rs. 2,780,000 was the main reason for this improvement.

## 3. Operational Review

### 3.1 Management Inefficiencies

| Audit Issue | Management comment | Recommendation |
|---|---|---|
| According to the National Sports Calendar, 03 national sports tournaments, 07 international tournaments and 09 player training workshops, seminars and training sessions had been planned to be held during the year under review, However, 03 national sports tournaments, 06 international sports tournament and 06 player training workshops, seminars and training sessions had not been held up to the end of the year under review. | Since this sport is not yet a popular sport in the country, it is difficult to find sponsors. As a result, the association was unable to reach the planned level in 2024. | Action should be taken to hold planned competitions and workshops as scheduled. |