

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the Sri Lanka Hockey Federation (“Federation”) for the year ended 31 December 2025 comprising the statement of financial position as at 31 December 2025 and income and expenditure accounts, 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 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, 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 2025, 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.

**1.2 Basis for Qualified Opinion**

I expressed qualified opinion 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 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 Sub 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 Auditor's responsibilities for the Audit of the Financial Statements

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.

Audit scope 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 Audit Observations on the preparation of Financial Statements**

### **1.5.1 Accounting Deficiencies**

|     | <b>Audit Observation</b>                                                                                                                                                                                                                                                                    | <b>Management Comment</b>                                                   | <b>Recommendation</b>                                                                 |
|-----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| (a) | Membership fees amounting to Rs.226,271, payable to the International Hockey Federation and the Asian Hockey Federation for the year under review had not been recognized as an accrued expense. As a result, the surplus for the year under review had been overstated by similar amounts. | Adjustments will be made in financial statements for the year 2026.         | Expenses relating to the year under review should be recognized correctly.            |
| (b) | A payable amount of Rs. 2,400,000 relating to the Department of Sports Development had not been recognized in the financial statements. Consequently, the surplus for the year under review had been overstated by similar amount.                                                          | Already paid Rs.200,000 and taking steps to pay the remaining balance soon. | The liabilities as at the end of the reporting period should be recognized correctly. |

## **1.6 Accounts Receivable and Payable**

### **1.6.1 Payables**

| <b>Audit Observation</b>                                                                                                                                                                                                                                              | <b>Management Comment</b>                                                                                                                                                                                                     | <b>Recommendation</b>                                          |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|
| Accounts payable amounting to Rs.961,788 and Rs.636,984 to the President of the Federation and the Asian Hockey Federation respectively had remained outstanding since the years 2022 and 2024 respectively without being settled even as at the date of this report. | The Executive Committee of the Federation has approved to settle payment of president. Due to the lack of funds in the Federation, arrangements have been made to settle using the revenue generated from the sports grounds. | Prompt action should be taken to settle or clear the payables. |

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

| Reference to Laws, Rules Regulations etc.                                                                                     | Non-compliance                                                                                                                                                                                                                                                                                                                                                                            | Management Comment                                                                    | Recommendation                                                                                        |
|-------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| The National Sports Associations Regulations No. 01 of 2025, published in Extraordinary Gazette No. 24/2437 dated 21 May 2025 |                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                       |                                                                                                       |
| (i) Section 9 (9) of part III                                                                                                 | An information system with athlete biodata, participation records, teams represented and performance data was not maintained by the Federation and such data was not used to identify highly skilled athletes during selection, ranking, and classification processes.                                                                                                                    | Noted to take action to obtain the data without delay and maintain a database system. | The Federation should be maintained an information system.                                            |
| (ii) Section 9 (23) of part III                                                                                               | The District Sports Association shall be responsible for promoting and supervising the relevant sport in its jurisdiction. This includes conducting at least two regional competitions annually, training athletes, maintaining stable regional sports reserves, and ensuring proper management and regulation of regional sports societies. However, the Federation had failed to do so. | Steps will be taken in the future.                                                    | The Federation should be supervised and managed district sports Associations on regular basis.        |
| (iii) Section 10 (1) of part III                                                                                              | A detailed report regarding the annual national championship was not submitted by the Federation to the Director General of                                                                                                                                                                                                                                                               | Comments had not been received.                                                       | A detailed report regarding the national championships should be submitted to the Director General of |

Sports within 14 days from the conclusion of the championship for four national championships held during the year under review.

Sports.

|                                |                                                                                                                                                                                           |                                                                            |                                                                                                            |
|--------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|
| (iv) Section 14 (19) of part V | Records of affiliated institutions were not maintained and registration certificates were not issued to each affiliated institution, Sports club or other organization by the Federation. | Action will be taken to issue the registration certificates in the future. | A record should be maintained and issue the certificate with regard to registered affiliated Associations. |
|--------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|

## 2. Financial Review

### 2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.9,280,740 and the corresponding surplus in the preceding year amounted to Rs.3,406,407 Therefore, an improvement amounting to Rs.5,874,333 of the financial result was observed. The main reason for the improvement is increase of net ground turf income by Rs.8,400,916 with compared to the previous year.

### 2.2 Trend Analysis of major Income and Expenditure items

The main items of income and expenditure in the year under review, compared with the previous year and analyzed with percentages of increases or decreases are shown below.

| Description               | Value as at 31<br>December 2025 | Value as at 31<br>December 2024 | Variations               |            |
|---------------------------|---------------------------------|---------------------------------|--------------------------|------------|
|                           |                                 |                                 | Favourable/<br>(Adverse) | Percentage |
|                           | Rs.                             | Rs.                             | Rs.                      | %          |
| <b>Income</b>             |                                 |                                 |                          |            |
| Grant and Donation        | 16,790,834                      | 23,537,554                      | (6,746,720)              | (29)       |
| Ground Turf Income        | 16,786,692                      | 4,284,046                       | 12,502,646               | 292        |
| Registration Fees         | 528,600                         | 458,000                         | 70,600                   | 15         |
| Other Income              | 18,375                          | 65,389                          | (47,014)                 | (72)       |
| <b>Expenditure</b>        |                                 |                                 |                          |            |
| Sport Activities Expenses | 17,911,507                      | 21,037,769                      | 3,126,262                | 15         |
| Ground Turf Expenses      | 6,608,666                       | 2,506,935                       | (4,101,731)              | (164)      |
| Finance Cost              | 58,165                          | 4,200                           | (53,965)                 | 1285       |
| Other Expenses            | 265,423                         | 1,389,677                       | 1,124,254                | 81         |

The following observation is made in this connection.

The ground turf operation generated a net income of Rs.10,178,026 during the year under review. This was driven by a 292 percent increase in revenue, which significantly outpaced the 164 percent increase in corresponding expenditure compared to the previous year.

### **3. Operational Review**

#### **3.1 Management Inefficiencies**

| <b>Audit Observation</b>                                                                                                                                                                                                                                                                                                                                                                                                                                 | <b>Management Comment</b>                                                                                                         | <b>Recommendation</b>                                                                                                                                          |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The registration of the Federation had been temporarily suspended and the Secretary to the Ministry of Youth Affairs and Sports was appointed as competent authority by the Minister of Sports with effect from 19 May 2026, by the notice published in Extraordinary Gazette No. 2489/48 dated 21 May 2026, due to the failure to complete the process of amending the Constitution of the Federation and to make arrangements to conduct the election. | The Secretary of Ministry of Youth Affairs and Sports has been appointed as the Competent Authority with effect from 19 May 2026. | The Federation should take immediate action to complete the process of amendment the Constitution of Federation and make arrangements to conduct the election. |

#### **3.2 Operational Inefficiencies**

| <b>Audit Observation</b>                                                                                                                                                                                                                                                                                                    | <b>Management Comment</b>                                                                                                                       | <b>Recommendation</b>                                     |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|
| According to the Operational Plan for the year under review, it was planned to hold six (06) local sports competitions and participate in eight (08) international competitions. Nevertheless, only four (04) local sports competitions and two (02) international competitions had been held during the year under review. | Only four local sports competitions were held due to a lack of sufficient time. The scheduled international competitions were not held in 2025. | The Federation should be conducted the events as planned. |