

Sri Lanka Volleyball Federation - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Volleyball Federation (“the federation”) for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of income and expenditure, statement of changes in accumulated funds and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies 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. 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 2022, 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 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 Standard 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 fund 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 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 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 fund 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 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 fund, 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,
- 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 Observation on the Preparation of Financial Statements

1.5.1 Accounting Deficiencies

Audit Issues	Management Comment	Recommendation
(a) Expenditure of Rs.563,212 relating to the year 2021 incurred in the year under review has been stated as expenditure in the financial statements of the year under review.	Accounts could not be prepared as the bills were not received by the time of accounts preparation.	Financial statements should be properly prepared.
(b) A discount of Rs.553,080 for providing accommodation facilities for the Beach Volleyball Championship had not been shown as income in the financial statements.	Payable amount received as a discount had not been accounted.	- Do -
(c) The adjustments for the cheques amounting to Rs. 75,000, which were more than 6 months, had not been made in the financial statements	Action had been taken to rectify this matter.	- Do -
(d) The payable balance difference amounting to Rs.1,021,449 between the Sugathadasa National Sport Complex Authority and the Sri Lanka Rupawahini Corporation had not reconciled by the Federation.	Action had been taken to rectify this matter	Action should be taken to identify the unreconciled difference.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs. 839,164 and the corresponding deficit in the preceding year amounted to Rs. 4,862,514. Therefore a improvement amounting to Rs. 4,023,350 of the financial result was observed. The reason for the improvement was increase the income by Rs. 4,917,596.

3. Operational Review

3.1 Operational Inefficiencies

Audit Observation	Management Comment	Recommendation
The Federation has been continuously incurring net losses for several years. Also, the accumulated funds had negative balances continuously for 04 years. The accumulated fund had a negative balance of Rs.5,057,191 in the year under review. Also, the Federation's current ratio has deteriorated in the years 2020, 2021 and 2022 and in the year under review, the current liabilities per 1 current assets were 78.8, which adversely affected the liquidity. Adequate attention was not paid by the Board of Members to liquidity and financial control	The Executive Council has acted to give special attention to the liquidity of the Sri Lanka Volleyball Federation.	The Board of Management should be given special attention to the financial performance and liquidity of the Federation.

3.2 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
The attention had not been drawn by the Board of members on conducting an internal audit of the affairs of the Federation during the year under review.	Although internal audit was not implemented, expenses are reviewed every month at the executive committee meeting.	Financial Audit must be implemented for internal control of the Federation.

4. Account Payable

Audit Observation	Management Comment	Recommendation
The payable for more than 5 years to Sri Lanka Rupawahini Corporation and Sugathadasa Indoor Stadium Rs. 3,214,856 had not been settled.	Action had been taken to settled next year.	Payable amounts should be settled promptly.

5. Accountability and Good Governance

5.1 Submission of Financial Statements

Audit Observation	Management Comment	Recommendation
The Membership Register was not updated by including the membership fees paid in each year, the date the members left the Federation and the date of membership.	List of members register for the year 2023 had been presented.	Prompt action should be taken to update the Membership Register.

5.2 Corporate Plan

Audit Observation	Management Comment	Recommendation
As per National Sports Association Order No. 01 of 2016 7(xi) the governing body had not prepared an approved corporate plan for the Federation.	Attention has been taken to prepare a corporate plan for next year.	A corporate plan should be prepared without delay as per the directives of National Sports Regulations.

5.3 Internal Audit

Audit Observation	Management Comment	Recommendation
Further action had not been taken regarding two players who did not return from the team that participated in the Commonwealth Games held in the United Kingdom from 28 July to 08 August 2022	The complain had been submitted to special Investigation unit and Federation had arranged the examination regarding these Players.	Proper action should be taken for unreturned Players.