

**1.1 Disclaimer of Opinion**  
-----

The audit of the financial statements of the Kudo Federation of Sri Lanka (“the federation”) for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of income and expenditure and statement of cash flows 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. To carry out this audit I was assisted by a firm of Chartered Accountants in Public Practices.

I do not express an opinion on the accompanying financial statements of the Federation. Because of the significance of the matters described in paragraph 1.5 of this report. I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

**1.2 Basis for Disclaimer of Opinion**  
-----

My opinion is Disclaimed 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 responsibility 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 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 Generally Accepted Accounting Principles and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatements 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 responsibility is to conduct an audit of the Federation's financial statements in accordance with Sri Lanka Auditing Standards and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of opinion section, I was not able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

## 1.5 Financial Statements

-----

### 1.5.1 Accounting Deficiencies

-----

<b>Audit Issue</b>	<b>Management Comments</b>	<b>Recommendation</b>
----- Travelling advances aggregating Rs.50,500 provided for the officers to travel for official matters had been recognized as expenditure for the year under review and those advances had not been settled.	----- Federation's comments had not been submitted.	----- Prompt Action should be taken to settle the advance

### 1.5.2 Documentary Evidence not made available for Audit

-----

<b>Audit Issue</b>	<b>Amount</b>	<b>Evidence not available</b>	<b>Management Comments</b>	<b>Recommendation</b>
-----	-----	-----	-----	-----
	<b>Rs.</b>			
Additions of Property Plant and Equipment	80,000	Invoice	Federation's comments had not been submitted.	The documents should be adequately furnished to audit in order to verify the addition of property plant and Equipment

## 2. Financial Review

-----

### 2.1 Financial Results

-----

The operations of the Federation had resulted in a deficit of Rs.20,075 as compared with the corresponding deficit of Rs.53,338 for the preceding year thus indicating an improvement of Rs.33,263 in the financial results. Decrease of expenditure by Rs.1,213,763 had been the main reason for this improvement.

