

**Disclaimer Opinion**

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The audit of financial statements of the Sri Lanka Volleyball Federation for the year ended 31 December 2018, comprising the Balance Sheet as at 31 December 2018 and the statement of income and expenditure 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 presented to Parliament appear in this report.

I do not express an opinion, on the accompanying financial statements of the Federation. Because of the significance of the matters discussed in the Basis for Disclaimer of Opinion section of my report. I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

**1.1 Basis for Disclaimer Opinion**

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My opinion is disclaimed based on the matters described in paragraph 1.4 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.

**1.2 Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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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 intends 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.

### 1.3 Auditor's Responsibilities for the Audit of the Financial Statements

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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.

### 1.4 Financial Statements

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#### 1.4.1 Accounting Deficiencies

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##### Audit Observation

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Even though, it was stated in the notes to the accounts that the sports equipment amounting to Rs.727,303 are being depreciated by 25 per cent, the sports equipment had not been depreciated during the year under review. Those sports equipment had been shown as current assets in the financial statements.

##### Comments of the Management

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Noted down to be corrected in the year 2019.

##### Recommendation

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The value of non-current assets and the depreciation thereon should be shown in the accounts accurately.

#### 1.4.2 Lack of written evidence for Audit

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Subject	Amount	Evidence Available	not	Comments of the Management	Recommendation
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	<b>Rs</b>				
08 Payment Items	4,134,814	Expenditure details, approved estimates, bills and receipts		Noted down to be corrected in the future.	The documents relating to payments should be furnished to audit adequately.

**1.5 Accounts Payable**  
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**1.5.1 Cash Payable**  
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**Audit Observation**  
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Action had not been taken to settle 2 balances of accounts totalling Rs.2,987,449 which old 5 years and 01 balance of account amounting to Rs.5,000 which old 03 years included in the accrued expenses.

**Comments of the Management**  
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Noted down to submit to the executive council and to be settled in the future.

**Recommendation**  
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Prompt action should be taken to settle the payables for the external parties.

**2. Financial Review**  
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**2.1 Financial Results**  
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The operating results in the year under review had been a deficit of Rs.3,332,963 as compared with the corresponding deficit of the preceding year amounted to Rs.590,121, thus observed a deterioration of Rs.2,742,842 in the financial results. Increase of direct expenses by Rs.52,159,264 had mainly attributed for this deterioration.

**3. Accountability and Good Governance**  
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**3.1 Corporate Plan**  
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**Audit Observation**  
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The Corporate Plan should consist with the strategies which determine the future direction of Sri Lanka Volley ball Federation. But the Federation had not prepared a Corporate plan including the realistic targets to be achieved for the actual performance and fixed targets.

**Comments of the Management**  
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Noted down to discuss with the executive Council and to take action in the future.

**Recommendation**  
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A Corporate plan should be prepared so as to achieve the actual performance and fixed targets.

### 3.2 Annual Action Plan

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
An action plan should be prepared based on the budget fixing the responsibilities at the end of the year to ensure the execution of financial and physical targets and to utilize the allocated funds effectively. Nevertheless, such a plan had not been prepared.	Noted down to discuss with executive Council and to take action in the future.	An Action Plan should be prepared based on the budget to achieve the financial and physical targets periodically and to utilize the funds effectively.

### 3.3 Internal Audit

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
A revenue amounting to Rs.89.1 million and an expenditure amounting to Rs.92.3 million had been in the Federation during the year under review and the total assets as at 31 December 2018 amounted to Rs.6.7 million. Even though, an internal audit should be carried out in terms of the Financial Regulation 133, of the Democratic Socialist Republic of Sri Lanka action had not been taken to establish an Internal Audit Unit in the Federation.	Noted down to discuss with the executive Council and to take action in the future.	An internal audit should be carried out in respect of the operations of the Federation immediately.

### 3.4 Budgetary Control

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
Even though, a budget should be prepared at the commencement of the each financial year for an effective financial control in terms of paragraph 5.2.5 of the Public Enterprises Circular No.PED/12 dated 02 June 2003, the Federation had not prepared a budget for the year under review.	Noted down to take action to correct in the future.	A Budget should be prepared before commencing the financial year for an effective financial control.