

Sri Lanka Volleyball Federation - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Volleyball Federation for the year ended 31 December 2021 comprising the balance sheet as at 31 December 2021 and the statement of income and expenditure, statement of accumulated changes in 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 2021, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Standards.

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 Public Sector Accounting Standards, 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 Audit Scope

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 Financial Statements

1.5.1 Accounting Deficiencies

Audit Observation -----	Management Comment -----	Recommendation -----
(a) According to the financial statements of the federation, Rs. 987,449 should be paid to the Sugathadasa National Sports Complex Authority as at 31 December 2021, but it was Rs. 3,176,662 according to the balance confirmation given by the authority and it was observed a difference of Rs. 2,189,213. The federation had not acted to find the reasons for that difference and adjust into the financial statements.	I kindly inform that it will be take necessary action to settle the payable balance to Sugathadasa National Sports Complex Authority and further action about the difference.	Action should be taken to check the correctness of the payable balances and the balances should be correctly reconciled according to the corroborating information and indicated in the financial statements.
(b) The contribution of Rs. 5.8 million received from a sponsoring institution in last year to cover the expenses of school volleyball tournaments was deducted from the accrued expenses and added to the accumulated surplus of the previous year to correct the accounting error of indicating that as accrued expense in the financial statements due to not holding that tournament. Due to this, the accumulated surplus balance brought forward in the year under review was Rs. 5.8 million more in the financial statements. Also, the liability for the cash expenses to be incurred	Arrangements were not made to hold the DSI volleyball tournament in the year 2020 and as the audit queries were referred about not being included in the income of the relevant year, it was accounted as a previous year adjustment for the accounts in the year 2021 and arrangements have been made to hold the tournament in June and August in the year 2021 and applications have been called.	Should be corrected the financial statements.

by this donation for the above tournament to be held in the year 2022 was not disclosed in the financial statements.

1.5.2 Payable Accounts

Audit Observation	Management Comment	Recommendation
(a) The federation had not settled Rs. 2,000,000 and Rs. 987,449 respectively payable to the Sri Lanka Rupavahini Corporation and the Sugathadasa Indoor stadium for a period of 08 years.	It will be settled in further years.	Payable amounts should be settled promptly.
(b) Audit fees of Rs. 227,709 to be paid for a period of one year to four years had not been settled.	Audit fees will be settled.	-Do-

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs. 4,862,514 and the corresponding deficit in the preceding year amounted to Rs. 2,332,106. Therefore a deterioration amounting to Rs. 2,530,408 of the financial result was observed. The main reason for the deterioration was the increasing of income by Rs. 46,346,632 and increasing the expenditure by Rs. 48,877,040 compared to that.

3. Operational Review

3.1 Operations

Audit Observation	Management Comment	Recommendation
The accumulated fund of the Sri Lanka Volleyball federation had declined by Rs. 7,211,274 during the period of 04 years and the negative balance of the accumulated fund was 116 percent compared to the total assets. Further, the current ratio of the federation was declining in the years 2020 and 2021 and current liabilities were 15.9 per 1 current asset which was adverse to liquidity. It was observed that it would severely affect the survival of the	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.

federation. The governing body had not given enough attention in this regard.

4. Accountability and Good Governance

4.1 Corporate Plan

Audit Observation -----	Management Comment -----	Recommendation -----
A Corporate Plan was not prepared as per Order 7(xi) of the National Sports Association No. 01 of 2016.	Attention has been given to prepare a corporate plan in 2020.	A corporate plan should be prepared without delay as per the directives of National Sports Associations.

4.2 Internal Audit

Audit Observation -----	Management Comment -----	Recommendation -----
The governing body did not give attention about conducting an internal audit of the affairs of the federation during the year under review.	No internal audit is implemented and the monthly financial report is presented and approved in the monthly executive council and it will be drawn attention of the executive council to establish a separate internal audit unit.	An internal audit should be carried out on the affairs of the federation.