

Sri Lanka Karate Do Federation - 2023

1. Financial Statements

1.1 Disclaimer of Opinion

The audit of the financial statements of the Sri Lanka Karate Do Federation (“the Federation”) for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended and notes to the financial statements, including a 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 the Sports Law No.25 of 1973 as amended by (Amendment) Act, No.47 of 1993. My Comments and observations which I consider should be report 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 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

I do not express an opinion based on the matters described in paragraph 1.5 of this report.

As the matters described in paragraph 1.5 of this report I was unable to confirm or verify by alternative means, material items included in the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows.

As a result of these matters, I was unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded amounts and the elements making up the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows.

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 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.

1.4 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 paragraph 1.5 of this report, 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 Audit Observation on the preparation of Financial Statements

1.5.1 Non-Compliance with Sri Lanka Accounting Standard for Small and Medium -sized Entities

Non-Compliance with the reference to particular Standard	Management comment	Recommendation
In terms of paragraph 2.3.6 of Sri Lanka Accounting Standards for Small and Medium-sized Entities (SLFRS for SMEs) all income and expenditure should be recognized on the accrual basis. However, in contrary to that, the membership fee had been accounted on cash basis. As a result, the outstanding membership fee as at the end of the year under review could not be verified in audit.	We will take a necessary action to find out and correct outstanding membership in the next financial period.	The Federation should be adhered with the provisions in SLFRS for SMEs.

1.5.2 Accounting Deficiencies

Audit Issue	Management comment	Recommendation
(a) As per the schedules and the fixed assets register, the actual depreciation for the year under review was Rs. 867,563. However, the amount recorded in the Financial Statements was Rs. 496,769. As a result, the surplus for the year under review had been overstated by Rs. 370,794.	In next financial period, we will make arrangement to correct the overstated amount.	Annual fixed asset depreciation should be calculated accurately.
(b) Provision for audit fees for the year 2023 had not been made in the financial statements.	Comments had not been received.	Provisions for liability should be

made in the financial statements.

1.5.3 Documentary Evidences not made available for Audit

Item	Amount Rs.	Evidence not available	Management comment	Recommendation
(a) Expenditure	18,329,193	Payment vouchers, invoices and bills etc.	We used the details from the bank statements for the above period to get income and expenditure but did not have documents to be satisfactorily vouched for the above period.	Action should be taken to provide documentary evidence to verify accuracy of the payments.
(b) Income	16,847,000	Receipts, donors' certifications and any other supporting documents.	-do-	The required documentary evidence should be furnished to audit in order to ascertain the accuracy of the income.

2. Financial Review

2.1 Financial Results

The operating result of the Federation for year under review amounted to a surplus of Rs.3,532,508 and the corresponding deficit in the preceding year amounted to Rs.2,879,470. Therefore, an improvement amounting to Rs. 6,411,978 in the financial result was observed. The main reason for the improvement was decrease in expenditure by Rs. 8,425,644 with compared to the previous year.

3. Accountability and Good Governance

3.1 Budgetary Control

Audit Issue	Management comment	Recommendation
The approved budgets for the Federation had not been submitted to audit. Hence, the financial control of the Federation during the year under review could not be evaluated.	Comments had not been received.	Action should be taken to prepare the detailed budgets for each financial year.