

Sri Lanka Hockey Federation - 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Hockey Federation (“the federation”) for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the income and expenditure statement, statement of changes in equity, statement of cash flow for the year then ended, and notes to the financial statements, including 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 (Amendment) Act No.47 of 1993. 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 2023 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 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 responsibilities, 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 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 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 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 it 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 Judgement 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 Federation's 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 report. However, future events or conditions may cause the Federation 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 audit also had 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 Federation 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, and
- 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 Account Receivables and Payable

1.5.1 Payable

Audit Issue	Management Comments	Recommendation
As of 31 December, 2023, out of the total outstanding amount of Rs. 1,276,939, Rs. 961,788 and Rs. 294,114 had not been settled for more than 2 years and 5 years, respectively	Due to insufficient financial status of the Federation, it was decided to settle in instalments.	Payable balances should be settled without any delay.

1.6 Non-compliance with Laws, Rules and Regulations

Reference to Laws Rules and Regulations	Non-compliance	Management comment	Recommendation
National Associations of Sports Regulations published in Extraordinary Gazette No. 1990/23 dated 27 October 2016.			
(i) Paragraph (xi) of Part III	A Corporate plan should be prepared and submitted to the Sports Development Department, including strategies to promote the relevant sport for the coming year, however it was not submitted.	Action will be taken in that manner in the future.	Action should be taken to prepare a corporate plan.
(ii) Paragraph (xii) of Part III	The Federation has not prepared an action plan for the year 2023.	No Comments	The action plan should be submitted to the Director General within the stipulated time.

1.7 Cash Management

Audit Issue	Management Comments	Recommendation
The average monthly bank balance amounting to Rs. 4 million had been kept in the current account without investing in an effective manner.	According to the existing memorandum of understanding with the Department of Sports Development, the Federation does not have the authority to take action regarding the bank account.	Funds should be utilized in an efficient manner.

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a deficit of Rs. 753,687, and the corresponding surplus in the preceding year amounted to Rs. 2,460,502. Therefore, a deterioration amounting to Rs. 3,214,189 of the financial result was observed. The main reason attributed for this deterioration is decrease in total income by Rs. 10,101,795.

3. Operational review

3.1 Management inefficiencies

Audit Issue	Management Comments	Recommendation
According to a request made by the Hockey Association, the Asian Hockey Federation agreed to donate a Polytan artificial sports pitch worth 250,000 US dollars to the Sri Lanka Hockey Association. However, by the audit date, there had been no study conducted on the suitability and effectiveness of acquiring the pitch, which had already been decommissioned. Furthermore, information regarding the costs involved in acquiring and preparing the pitch suitable for use, or the methods of obtaining the necessary provisions for that had not been disclosed to the audit.	Since a Memorandum of Understanding regarding the acquisition of a new sports pitch was signed recently between the Director General of the Department of Sports Development and the President of the Asian Hockey Federation, I would like to state that the costs and provisions for this should be borne by the Ministry of Sports. According to the current report, the Ministry of Sports has informed that the work to set up the new artificial sports pitch is being carried out promptly.	The suitability and effectiveness of the assets should be considered.

3.2 Operational inefficiencies

Audit Issue	Management Comments	Recommendation
The artificial hockey pitch located in Torrington was not properly maintained, and no any immediate action was taken to refurbish the pitch, resulting it has become unsuitable for use.	This artificial hockey pitch was provided to the association by the Department of Sports Development through a Memorandum of Understanding on 15 December 2021. At that time, the pitch was in a poor condition, and even though the pitch was provided, maintenance activities should be carried out subject to the approval of the Ministry of Sports.	Assets should be maintained properly.