

Sri Lanka Athletics (“Association”) - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Athletics (“Association”) for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 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 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 21A of Sports Law, No. 25 of 1973 as amended by Section 9 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 effect of the matters described in paragraph 1.5 of this report, the accompanying financial statements of the Association give a true and fair view of the financial position of the Association as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards 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 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 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 Association’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 Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association’s financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Association is required to maintain proper books and records of all income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Association.

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 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 skepticism 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 of the Association.
- 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 Association'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 Association 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 Association, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Association has complied with applicable written law, or other general or special directions issued by the governing body of the Association;
- Whether the Association has performed according to its powers, functions and duties; and
- Whether the resources of the Association had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit observations on the preparation of Financial Statements

1.5.1 Unreconciled Control Accounts or Records

Item	As per Financial Statements Rs.	As per Corresponding Records Rs.	Difference Rs.	Management Comment	Recommendation
Difference of Financial Grants between the financial statements and the records of the Department of Sports	112,635,334	51,489,187	61,146,147	We declare that the value stated in our financial statements is correct.	The grants should be reconciled.

1.6 Accounts Receivables and Payables

1.6.1 Accounts Payables

Audit Observation	Management Comment	Recommendation
The electricity bill payable amounting to Rs. 641,744 as at 31 December 2024 had remained over 5 years without being settled.	It has been decided to pay the full amount as soon as the financial condition of the Association improves.	Payables should be settled without delay.

1.6.2 Advances

Audit Observation	Management Comment	Recommendation
The Vice President of the Sri Lanka Athletics had obtained advances amounting to Rs.3,725,895 on 22 August 2024 for the World U-20 Championship 2024. Even though, out of that only Rs.3,054,460 had been settled as at 31 December 2024, the outstanding balance of Rs.671,434 had been settled with a delay of 09 months.	The vice president had inadvertently paid an excess of Rs.671,434 for the world U-20 championship. However, this entire amount has now been paid and settled by the Vice President.	Proper mechanism should be established for the payment and settlement of advances.

1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws/Rules and Regulations etc	Non-compliance	Management Comment	Recommendation
The National Associations of Sports Regulations, No. 01 of 2024 published in the Extraordinary Gazette No. 2382/32 dated 03 May 2024			
(i) Section 3 (1) (i)	Although the constitution of the Sri Lanka Athletics should have been submitted to the Director General of Sports within 03 months from the date of commencement of these Regulations for registration, it had not been complied with.	I will take steps to send it to the Director General of Sports without delay.	The Association should comply with the Sports Regulations.
(ii) Section 3 (1) (ii)	A Corporate Plan for the next 10 years, including the current international ranking level, the target expected during the relevant period and strategies for improving the performance had not been submitted to the	It is not practical to prepare a 10 year plan by predicting local and international sports competitions and their dates every	The Association should comply with the Sports Regulations.

Director General of Sports for year.
his approval.

- | | | | | |
|-------|-------------------|--|--|--|
| (iii) | Section 6 (xxvii) | Although it is required to submit details of all activities including the election of officers of sports clubs, institutions, district sports associations, provincial sports associations or sports clubs affiliated to a district or provincial associations to the Director General of Sports annually, it has not been submitted so far. | I will proceed to submit it without delay after receiving all the information. | The Association should comply with the Sports Regulations. |
|-------|-------------------|--|--|--|

1.8 Non-compliance with Tax Regulations

Audit Observation	Management Comment	Recommendation
Even though the Sri Lanka Athletics is liable for payment of income tax on its any taxable profit as per the Inland Revenue Act, No.24 of 2017 and amendments made thereon, Sri Lanka Athletics had not registered with the Inland Revenue Department on this regard.	Our tax advisors have informed us that there is no need to pay taxes.	The Association should be complied with the Tax Regulations.

2. Financial Review

2.1 Financial Result

The operating result of the Association for the year under review amounted to a surplus of Rs.5,353,125 and the deficit against this in the preceding year amounted to Rs.13,813,078. Therefore, an improvement amounting to Rs.19,166,203 in the financial result was observed. The main reason attributed for this improvement was increase in the Ministry grants by Rs.85,306,301 as compared with the previous year.

2.2 Trend Analysis of major Income and Expenditure items

Analysis of major income and expenditure items of the year under review compared with the preceding year with the percentage of increase or decrease are shown below.

Description	For the year ended 31 December 2024 Rs. Mn	For the year ended 31 December 2023 Rs. Mn	Variance Favorable/ (Adverse) Rs. Mn	Percentage %
Revenue				
Ministry Grants	112.6	27.3	85.3	312.0
Other income	22.4	26.0	(3.6)	13.8
Expenditure				
Administrative Expenses	5.9	5.9	0	0
Foreign Competition Expenses	54.1	21.8	(32.3)	148.2
Local Competition Expenses	5.6	7.4	1.8	24.3
National Pool Allowances	51.1	21.1	(30)	142.2
Other Expenses	12.9	11.1	(1.8)	16.2

The sponsorship income included in the other income had been decreased during the year under review by Rs. 6,700,230 or 89 percent compared with the previous year. Therefore, management should take action to increase sponsorship income for tournaments.

3. Operating Review

3.1 Procurement Management

Audit Observation	Management Comment	Recommendation
Procurement Guidelines had not been followed in procuring of five (05) items worth Rs.1,341,260 during the year under review. Therefore, the transparency and economy of those procurements could not be determined in audit	Comments had not been received.	Procurement Guidelines should be followed by the Association.