

Sri Lanka National Olympic Committee – 2015

The audit of financial statements of the Sri Lanka National Olympic Committee for the year ended 31 December 2015, comprising the statement of the financial position as at 31 December 2015 and the statement of income and expenditure, statement of changes in equity and cash flow statement for the year then ended and summary of significant accounting policies and other explanatory 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 Section 9 of the Sports (Amendment) Act, No.47 of 1993. My comments and observations which I consider should be published with the Annual Report of the Committee appear in this report.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards for Small and Medium Entities and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Committee's preparation and fair presentation of the financial statements 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 Committee's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2:2 of this report, the financial statements give a true and fair view of the financial position of the Sri Lanka National Olympic Committee as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards for Small and Medium Entities.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Accounting Standards for Small and Medium Entities

In terms of Section 2.52 of Chapter 2 of the Standard, unless permitted by Sri Lanka Financial Reporting Standards, assets and liabilities should not be offset against each other in the preparation of financial statements. Nevertheless, an unfavourable bank balance of Rs.1,514,367 existed in a private bank had been offset against a favourable bank balance of Rs.6,290,365 existed in another account of the same bank during the year under review and the net value of Rs.4,775,998 had been shown in the statement of financial position.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) Expenditure on foreign tours of Rs.786,540 reimbursable from the host country had been shown as payments in advance in the financial statements of the year under review.
- (b) Even though the land of 01 Rood and 20 Perches in extent had been vested in the National Olympic Committee on a Cabinet decision in the year 2005, the value thereof had not been included in the books of accounts.
- (c) Income tax payable amounting to Rs.14,938 had been overstated in the accounts.

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

The following non-compliance with Laws, Rules and Regulations were observed.

Reference to Laws, Rules, Regulations, etc.	Non-compliance
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| (a) Section 19 of the Sports Act No.25 of 1973 | Even though the Minister should prescribe regulations on the functions and duties of the National Olympic Committee, relevant regulations had not been prescribed for the activities such as accountability and the election which are essential regarding the functions and the duties. |
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- (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

Financial Regulation 757 (2)

Even though a Board of Survey was reported to have been conducted for the year 2015, the relevant survey report had not been furnished to Audit even by the date of this report.

- (c) Paragraph 03 of the Audit and Management Circular No. DMA/2009 (1) dated 09 June 2009.

An internal audit of the National Olympic Committee had not been carried out by the Internal Audit Unit of the Ministry.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial results of the National Olympic Committee for the year ended 31 December 2015 was a deficit of Rs.11,054,453 as against the surplus of Rs. 4,785,500 for the preceding year, thus indicating a deterioration of Rs.15,839,953 in the financial results of the year under review. Although the expenditure of the year under review had decreased by Rs.45,318,905, decrease in the income by Rs.61,158,858 during the year under review had mainly attributed to the above deterioration of the financial result.

4. Operating Review

4.1 Management Activities

The following observations are made.

For the Olympic activities, a sum of Rs.3,478,818 had been received from the host countries as expenditure for foreign tours including air ticket charges during the year under review and a sum of Rs.7,565,845 had been spent as the payments relevant thereto. Accordingly, a payment of Rs. 4,087,027 exceeding the amount received had been made by the funds of the Committee.

4.2 Transactions of contentious nature

For the purpose of printing and supply of 2000 souvenirs at a cost of Rs.5,200,000 in parallel to the 75th Anniversary of the Sri Lanka Olympic Committee in the year 2013, a private institution had been selected deviating from the procurement process and the contract had been awarded without being entered into an agreement. As 50 per cent advance of the contract value, a sum of Rs.2,600,000 had been paid on 30 September 2013 for that purpose. The relevant task had not been carried out even by the date of this report and the advance amounting to Rs.2,600,000 had not been recovered from the contractor.

5. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Committee from time to time. Special attention is needed in respect of the following areas of control.

Area of Systems and Controls -----	Observations -----
(a) Financial Control	(i) Surplus money investable in long term basis had been invested in short term basis. (ii) Expenses had been made exceeding the amount of money received from other countries on foreign tours.
(b) Control over Employees Loans	Failure to sign loan agreements in the payment of employees loans.
(c) Accounting	Existing delays in the presentation of Accounts.