

Sri Lanka National Olympic Committee – 2016

The audit of financial statements of the Sri Lanka National Olympic Committee for the year ended 31 December 2016, comprising the statement of the financial position as at 31 December 2016 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 2016 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.1,214,489 existed in a private bank had been offset against a favourable bank balance of Rs.21,423,047 existed in another account of the same bank during the year under review and the net value of Rs.20,208,558 had been shown in the statement of financial position.

2.2.2 Accounting Deficiencies

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, action had not been taken to account the value thereof.

2.2.3 Lack of Evidence for Audit

The evidence indicated against the following items of accounts had not been made available to audit.

Item of Account	Value	Evidence not made available
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	Rs.	
(a) Money granted for the fuel for the personal motor vehicle of the Chairman of the National Olympic Committee from the year 2014 to the year 2016.	367,801	Approval of the Chairman of the Committee for providing fuel.
(b) Expenditure incurred from the credit card of the Chairman.	75,922	Bills and details of the expenditure.

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.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	
(i) Financial Regulation 396 (d)	Action in terms of the relevant regulation had not been taken on 06 cheques valued at Rs.1,194,000 issued but not presented to the bank and elapsed a period of 06 months.
(ii) Financial Regulation 1645 (a)	A vehicle log book had not been maintained for the van belonging to the Committee.
(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 2016 was a surplus of Rs.3,740,138 as against the deficit of Rs. 11,054,453 for the preceding year, thus indicating an improvement of Rs.14,794,591 in the financial results of the year under review as compared with the preceding year. Although expenditure of the year under review had increased by Rs.99,136,620 increase in the income by Rs.113,931,210 had mainly attributed to the above improvement of the financial result.

4. Operating Review

4.1 Management Activities

The following observations are made.

- (a) For the Olympic activities, a sum of Rs.3,478,905 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.6,829,253 had been spent as the payments relevant thereto. Accordingly, a payment of Rs. 3,350,348 exceeding the amount received had been made by the funds of the Committee.
- (b) The International Olympic Committee had granted a sum of Rs.3,009,297 for 4 project activities during the year under review and a sum of Rs.3,918,126 had been spent as the payments relevant thereto. Accordingly, a payment of Rs. 908,829 exceeding the amount received had been made by funds of the Committee.
- (c) Out of the funds received from the International Olympic Committee to distribute among the member associations, sums totalling Rs 1,766,469 allocated for 8 sports associations had been written off as requests had not been made by the relevant associations despite the lapse of two years.

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 a 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 which could be invested 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) Contract Administration Security service had been obtained without renewing the agreements.

- (c) Accounting Prior year errors had not been retrospectively restated in the financial statements.

- (d) Budgetary Control A Budget approved by the Board of Directors had not been maintained by the Committee.