

## **Sri Lanka Cricket – 2016**

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The audit of financial statements of the Sri Lanka Cricket (SLC) for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and statement of comprehensive income statement of changes in funds and statement of cash flows for the year then ended, and a 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 the Sports Act, No. 25 of 1973 as amended by Sports (Amendment) Act, No. 47 of 1993. My comments and observations on the affairs of the Sri Lanka Cricket appear in this report.

### **1.2 Executive Committee’s Responsibility for the Financial Statements**

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The Executive Committee is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards for Small and Medium Sized Entities (SLFRS for SMES) and for such internal control as the Executive Committee 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**

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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 consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000 -1810). 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 judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessment, the auditor considers internal control relevant to the Sri Lanka Cricket’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 Sri Lanka Cricket’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 the 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**

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

## **2 Financial Statements**

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### **2.1 Qualified Opinion**

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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 the Sri Lanka Cricket as at 31 December 2016, and 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).

### **2.2. Comments on Financial Statements**

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#### **2.2.1 Compliance with Sri Lanka Accounting Standards for Small and Medium Sized Entities (SLFRS for SMES)**

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No evidence supported with me to verify whether the SLC had reviewed the carrying value of its assets at the reporting date to determine whether the items or group of items of fixed assets is impaired in accordance with the provisions in the Standard.

#### **2.2.2 Accounting Deficiencies**

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The Following observations are made.

- (a) Advance payment amounting to Rs. 19,046,800 made in respect of constructions and refurbishments of three international cricket stadium were founds to be laying in the advance account for more than 5 years without being adjusted.
- (b) Refundable deposits on play ground hiring amounting to Rs. 1,651,002 had been shown in the financial statements as liability for over ten years without being settled and adjusted in the accounts.

#### **2.2.3 Lack of Evidence for Audit**

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A fixed assets register and the physical verification reports had not been made available for audit. Thus the completeness, ownership, existence and value of the fixed assets shown in the financial statements could not get confirmed.

#### **2.2.4. Transactions not Supported by Adequate Authority**

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The SLC had signed an agreement with Galle Municipal Council to lease out Galle International Cricket Stadium (GICS) for a period of 30 year from 20 th April 1998 to 19 th April 2028 and the agreement shall be renewed in every 10 year's time. Accordingly, the first renewal date was 19 April 2007. However, the GICS has been used by SLC for over eight years without renewal of the agreement and Rs.10,315,555 had been paid as rentals without a valid agreement.

### 3. Financial Review

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#### Financial Result

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According to the financial statements presented, the operations of the Sri Lanka Cricket for the year ended 31 December 2016 had resulted a surplus of Rs. 63,962,186 as against the corresponding surplus of Rs. 615,947,765 for the preceding year, this indicating a decreasing of Rs.551,985,579 in the financial result. The decrease of income from international Cricket Rs. 922,469,968 had been the main reason for the deterioration.

### 4. Accountability and Good Governance

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#### 4.1 Action Plan

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According to the section 03 of the Public finance Circular No.01/2014 dated 17 February 2014. An action plan had not been prepared by the Sri Lanka Cricket.

#### 4.2 Procurement Plan

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A procurement plan had not been prepared for the year under review in accordance with 4.2.1 of the Government procurement Guideline of 2006.

### 5. Systems and Controls

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Deficiencies in systems and control observed during the course of audit were brought to the notice of the president of the Sri Lanka Cricket from time to time. Special attention in respect of the following areas of control.

<b>Deficiencies in systems and control</b>	<b>Observation</b>
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(a) Accounting	(i) No proper JE procedure has been established in the SLC with the limits of each level of management. (ii) No Control over the payments and Settlement of Advances (iii) No Control over the accounting of Fixed Assets
(b) Stores Management	No proper inventory records are maintained and no proper physical verification of inventories.
(c) Cheque payment	The keeping the cheques in hand without being handed over to the respective parties.

