

Sri Lanka Rugby Football Union - 2017

The audit of financial statements of the Sri Lanka Rugby Football Union for the year ended 31 December 2017 comprise the statement of financial position as at 31 December 2017 the statement of comprehensive income, 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 observations on the operation of the Union which I consider should be furnished to the Parliament in terms of Article 154(6) of the constitution of the Democratic Socialist Republic of Sri Lanka appear in this reports.

1.2 Responsibility of the Management Committee for the Financial Statements

The Management Committee is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Principles 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Union'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 Union's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management.

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 Rugby Football Union as at 31 December 2017 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

2.2 Comments on Financial Statements

2.2.1 Accounting Deficiencies

The following observations are made.

- (a) Out of the Rs.9 million payable as at 31 December 2017 on a penalty imposed to the Sri Lanka Rugby Union by the International Rugby Union in 2017 on the violation of meets' rules and regulations, a sum of Rs.8 million had been shown under current liabilities instead of shown under long term liabilities in the financial statements.
- (b) A cost of air tickets amounted to Rs.11,318,090 given to the Sri Lanka Rugby Union by the Department of Sports Development on foreign travelling relevant to the sport meets had not been accounted as income and expenditure of the Union.
- (c) Reimbursable amount of Rs.5,294,445 for sports equipments and sports development activities from the Development of Sport Development had not been accounted during the year under review.
- (d) A sum of Rs.1,358,962 in 2016 and a sum of Rs.1,750,000 given to the Provincial Rugby Unions to develop Rugby as advances had not been settled and therefore, sports development expenses of those years were understated by that amounts.
- (e) A sum of pounds 40,000 receivable from the world Rugby Union in 2016 had been received in the year under review and the exchange loss thereof amounted to Rs.596,085 had been adjusted to the income and expenditure account in the year under review instead of deducting from the surplus in prior year comprehensive income statement.
- (f) A sum of Rs.17,492,313 incurred by the Sri Lanka Rugby Union during the year 2016 for the participation of national school teams to international rugby tournaments had been shown as receivables from the Sri Lanka Schools Rugby Union in the statement of financial position. A written agreement had not been taken as a proof of payment from the school Rugby Union and the Union had not any written document to consider as a receivable of this amount. Recovering of this amount was in uncertainty, but no provision had been made in the financial statements in this regard.

2.2.2 Lack of Evidence for Audit

The evidences stated against the following items had not been furnished to audit.

Item	Value	Evidences not Furnished
	Rs.	
(a) Money receivable from the Sri Lanka School Rugby Union	17,492,313	Confirmation of balances
(b) Payable balances	3,107,747	
(c) Closing Stock	4,229,913	Physical stock verification reports.

2.2.3 Receivable and Payable Accounts

Four receivable balances amounted to Rs.218,533, which is more than seven years old had not been cleared even up to 07 April 2018.

2.2.4 Non- Compliance with Laws, Rules, Regulations and Management Decisions

The following non – compliances with Laws, Rules, Regulations and Management Decisions were observed.

Observations	Non – compliance
<p>Reference to Laws, Rules and Regulations.</p> <p>1 (b) paragraph section of 111 of the Sri Lanka Rugby Constitution</p>	<p>Even though rules imposed time to time by the International Rugby Committee on RUGBY Sports should be complied and followed, but violating those rules and had used two unqualified fuji National Players and had been charged a penalty of Rs.10 million (pound 50,000) by the World Rugby Union which should be paid within 10 years starting 2017.</p>

2.2.5 Idle Stock

It was observed that sport equipments and sports wears in nine categories valued for Rs.103,368, including in stock in hand amounted to Rs.4,229,913 shown in the statement of financial position as at 31 December 2017, had been idle since 2013.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial results for the year ended 31 December 2017 had been a deficit of Rs.14,559,671 as against the surplus of Rs.5,694,619 for the preceding year, thus indicating an deterioration of Rs.20,254,290 in the financial result of the year under review as compared with the preceding year. Even though the income had been increased by Rs.6,311,854 in the year under review, increase in Administration and other operation expenses by Rs.28,071,269 had mainly attributed to this deterioration.

3.2 Staff Administration

An approved Scheme of Recruitment and an approved cadre had not been available for the Union.

4. Accountability and Good Governance

4.1 Action Plan

In terms of Paragraph 03 of the Public Finance Circular No.01/2014 dated 17 February 2014, an action plan including achievable targets and goals during the stipulated time period had not been prepared for the year 2017.

4.2 Internal Audit

In terms of Financial Regulation 133, an Internal Audit division had not been established for the Union.

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 Union from time to time. Special attention is needed in respect of the following areas of control.

Areas of Systems and Controls

(a) Assets Management

(b) Debtors and Creditors Control

(c) Accounting

(d) Procurement Process

(e) Budgetary Control

Observations

Procured consumables had not been entered in stock records.

(i) Not taken debtors confirmation letters.

(ii) Not created receivable and payable loan balances with out delays.

(i) Income had not been accounted accurately.

(ii) Depreciation for the fixed assets not accounted accurately.

(iii) Leasing liabilities had not been accounted.

(iv) Approvat not received for Journal entries.

(i) A procurement plan had not been prepared.

(ii) Procedures in the procurement guidelines had not been followed.

(i) Not accuracy of estimated figures.

(ii) Not approved the budget estimates at the beginning of the year to execute to achieve the expected goals.