

Sri Lanka Cricket - 2018

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Cricket (“Sri Lanka Cricket”) for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the income statement, statement of changes in accumulated fund and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 No19 of 2018. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Sri Lanka Cricket as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified 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 auditing standards are further described in the scope of Audit 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, 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 Sri Lanka Cricket’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 Sri Lanka Cricket or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Sri Lanka Cricket’s financial reporting process.

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

1.4 Audit Scope

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

1.5 Financial Statements

1.5.1 Non-Compliance with Sri Lanka Accounting Standard

	Non-Compliance with the reference to particular Standard	Management Comment	Recommendation
(i)	According to the Sri Lanka Accounting Standard 1, section 113, an entity should put the cross-reference for each of the item in the statement of financial position and in the statement profit or loss and other comprehensive income, and in the statements of changes in equity and of cash flows to any related information in the notes. However, the entity had not provided the notes for the International Cricket Council annual distributions and marketing and corporate communication amounting to Rs.1,516,290,000 and Rs.77,419,743 respectively in the income statement. Further, the Sri Lanka Cricket had not provided the note for deferred income amounting to Rs.10,703,573 in the statement of financial position.	The balances contained more than two items will be disclosed as a separate note in the financial statements of 2019.	An entity should put the cross-reference for each of the item in the statement of financial position, the statement profit or loss and other comprehensive income, in the statements of changes in equity and of cash flows to any related information in the notes.
(ii)	According to the Sri Lanka Accounting Standard 16, section 51, the residual value and the useful life of an assets should be reviewed at least at each financial year-end.	Recently we have appointed valuation boards valuation of assets as a pilot project. On the	The residual value and the useful life of an assets should be reviewed at least at each financial year-end.

However, the fully depreciated recommendations of Property, Plant and Equipment the EXCO, this costing Rs.1,154,458,140, still in exercise will be use, had not been revalued due to implemented in all failure in reviewing the useful life of other venues. the assets.

- (iii) According to the Sri Lanka Accounting Standard 16, section 67, the carrying amount of an item of property, plant and equipment shall be derecognized on disposal; or when no future economic benefits are expected from its use or disposal. However, the entity had not been disclosed the policy for de-recognition of property, plant and equipment.
- We will include a comprehensive policy on PPE derecognition in the future financial statements.
- The entity should disclose the policy for de-recognition of property, plant and equipment.

1.5.2 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
(i) An un-identified balance amounting to Rs.5,845,788 had been included in the other advances and this had been carried forward since the year 2013 and shown under the current assets. However, this balance had not been identified and adjusted in the financial statements even in the year under review.	Noted your comment and management has taken initiative to appoint a committee to look these old outstanding balances and based on recommendation of the committee and the approval of EXCO, necessary entries will be passed in 2019.	Prompt action should be taken to make necessary adjustment in the financial statements.
(ii) A Land named Walakumbura watta extent of 256 perches, in Katugastota, Kandy had been leased by the Sri Lanka Cricket in order to establish a Cricket Campus on 29 April 2017 under 30 years lease agreement. The lease rental payable for 30 years period amounted to Rs.26.25 million. In addition to the above rental payments, a sum of Rs.25 million had been paid as a donation to the Lessor/ Temple in the year 2017 and that had been shown as capital work – in – progress in the financial statements instead of being charged against revenue.	Your suggestion will be tabled at the EXCO and amendment will be made to the 2019 financial statements accordingly.	Prompt action should be taken to charge against the income for the year in the financial statements

- (iii) A receivable income from the sponsorship rights amounting to Rs.29,834,405 (USD 187,085), related to the South Africa tour in Sri Lanka in the year 2018, had been included to the income of the year under review and receivable amount shown in the financial statement as receivable from that Sponsorship Company. However, due to suspicious and irregular intervention forced to the above transaction, the recoverability of the above amount from the sponsor is in doubt.
- Management has sent demand letter to Sony Picture Network India (Pvt) Ltd and instructed the lawyers to take next steps in recovering the outstanding amount from Sony Picture Network India (Pvt) Ltd.
- Prompt action should be taken to make necessary disclosures in the financial statements
- (iv) Other venue creditors amounting to Rs.2,213,944,841 shown under non-current liabilities should be paid to the Sri Lanka Ports Authority relating to the construction of Mahinda Rajapakshe International Cricket Stadium. However, this liability had not been confirmed by the Sri Lanka Ports Authority. Further, according to Note No 29 of the financial statements, the whole liability of Sri Lanka Ports Authority had been undertaken by the Government of Sri Lanka and according to the Cabinet Decision No 17/1765/737/028 dated on 25 October 2017, required funds are to be obtained as a loan from People's Bank by signing an agreement between the Ministry of Finance and Mass Media on behalf of Sri Lankan Government and People's Bank. Therefore, the Sri Lanka Cricket had not taken any action to make necessary adjustment in the financial statements even in the year under review.
- This has been referred to General Treasury requesting to grant permission to treat as government grant, but we have not received any reply for the same.
- Prompt action should be taken to make necessary adjustment in the financial statements

1.5.3 Unreconciled Control Accounts or Records

Item	as per Financial Statements Rs.	As corresponding Record Rs.	Difference Rs	Management Comment	Recommendation
Payable to the Sugathadasa National Sport Complex Authority	13,573,845	13,953,844	379,999	This difference has been reconciled with	Prompt action should be taken to reconcile the

Sugathadasa balances in the National Sport financial Complex Authority and statements after a detail study on the reconciliation, necessary entries will be passed in 2019.

1.5.4 Suspense Accounts

Item	Amount Rs.	Period in Suspense	Management Comment	Recommendation
Galle Municipal Council as entertainment tax refund.	5,585,673	over Years	2 Noted your comment and management has been informed on this balance and since the Municipal Council has not made any claim on this during the last two years, necessary financial entries will be passed in the books of 2019.	Prompt action should be taken to rectify the balance in the financial statements.

1.5.5 Documentary Evidences not made available for Audit

Item	Amount Rs.	Evidence not available	Management Comment	Recommendation
(i) Sponsorship receivables	36,820,238	Confirmation of receivables	Noted your comment and management has taken initiative to appoint a committee to look these old outstanding balances and based on recommendation of the committee and the approval of EXCO, necessary entries will be passed in 2019	The confirmation of sponsorship receivable should be furnished to audit in order to verify the balance.

(ii)	Other Debtors	10,870,901	Confirmation of receivables	Noted your comment.	The confirmation of other debtors should be furnished to audit in order to verify the balance.
(iii)	Advance -Credit Card	1,829,153	Confirmation of receivables	Noted your comment.	The confirmation of advance – credit card should be furnished to audit in order to verify the balance.
(iv)	Other advances	11,620,076	Confirmation of receivables	Noted your comment.	The confirmation of other advances should be furnished to audit in order to verify the balance.
(v)	Entertainment tax receivables	4,663,681	Confirmation of receivables	Noted your comment.	The confirmation of entertainment tax receivables should be furnished to audit in order to verify the balance.
(vi)	Receivable from Foreign Cricket Boards	42,810,291	Confirmation of receivables	Noted your comment.	The confirmation of receivable from foreign cricket board should be furnished to audit in order to verify the balance.
(vii)	Prize money payable	56,649,636	Confirmation of payable	Noted your comment.	The confirmation of prize money payable should be furnished to audit in order to verify the balance.
(viii)	International Cricket Council	88,338,882	Confirmation of receivables	Noted your comment.	The confirmation from international cricket council should be furnished to audit in order to verify the balance.
(ix)	Other Dues	296,500,268	Confirmation of payable	Noted your comment.	The confirmation of other dues should be furnished to audit in order to verify the balance.
(x)	Advance -Tour Imprest	2,106,403	Confirmations and detailed schedules	We will check with the source documents where the transactions have	The confirmation and detailed schedules of advance tour imprest should be furnished to

				been booked and necessary adjustments entries will be passed to the book of entries.	audit in order to verify the balance.
(xi)	Deposits-General	2,895,905	Independent Confirmations	Out of Rs.11,364,805 a sum of Rs.8,468,900 relates to CEB.	The confirmation of deposits - general should be furnished to audit in order to verify the balance.
(xii)	Prepayments	13,943,987	Detailed schedules	This account consists of the amount paid in advance as annual payments which are amortized over the period.	The detailed schedule of prepayments should be furnished to audit in order to verify the balance.
(xiii)	Trade payable	22,251,316	Third party Confirmations	Out of the total balance of Rs.172,474,317, a sum of Rs.150,223,002 has been subsequently settled in 2019.	The confirmation of trade payable should be furnished to audit in order to verify the balance.
(xiv)	Accrued expenses	9,717,265	Detailed schedule and age analysis	This amount relates to the period prior to 2013. We will locate the source documents where the transactions are booked and necessary entries will be passed to the book of accounts.	The detailed schedule and age analysis should be furnished to audit in order to verify the balance.
(xv)	Tax receivables	349,879,316	Detailed schedule and supporting documents	An assignment is being carried out by our tax consultants in this regard and any adjustment will be done with their final report.	The detailed schedule and supporting documents should be furnished to audit in order to verify the balance.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Issue	Management Comment	Recommendation
(i) Twenty-one sponsorship receivable balances aggregating to Rs.20,237,784 had remained for over 04 years without being recovered.	Noted your comment.	Prompt action should be taken to collect balance from the external parties.
(ii) Action had not been taken to recover ticket sales receivable aggregating to Rs.1,162,080 remained outstanding for over 01 year and other balances totalling Rs.243,500 remained outstanding for over 02 years as at 31 December 2018.	Noted your comment	Prompt action should be taken to collect balance from the external parties.
(iii) Action had not been taken to recover 11 other debtor balances aggregating to Rs.2,833,093 and Rs.1,960,274 were remained outstanding for over 01 to 02 years respectively as at 31 December 2018.	Noted your comment	Prompt action should be taken to collect balance from the external parties.
(iv) Action had not been taken to recover entertainment tax receivables aggregating to Rs.4,663,681 remained outstanding for over 01 year as at 31 December 2018	This amount consists of balances related to period prior to 2015. The local Authorities are disputing our claims. No sooner the agreement is reached necessary entries will be incorporated to the book of account.	Prompt action should be taken to collect balance from the external parties.

1.6.2 Payables

Audit Issue	Management Comment	Recommendation
Payable balances aggregating to Rs.14,057,572 existing for over 01 year and other balances aggregating to Rs.4,727,737 for over 02 years had been remained without being settled	Out of the outstanding balance of Rs.15,472,618 an amounting to Rs.1,415,046 settled in 2019	Prompt action should be taken to settle the payables of external parties periodically.

1.6.3 Advances

Audit Issue	Management Comment	Recommendation
Advances for tournaments amounting to Rs.114,677,789 relating to the period from 2008 to 2018 and Advances for construction amounting to Rs.83,615,044 relating to the period from 2007 to 2018 that had been given to the Cricket Associations had been continuously brought forward in the financial statements without being recovered.	Noted your comment and management has taken initiative to appoint a committee to look these old outstanding balances and based on recommendation of the committee and the approval of EXCO, necessary entries will be passed in 2019.	Prompt action should be taken to surrender the advances.

1.7 Related Parties and Related Party Transactions not disclosed

Audit Issue	Management Comment	Recommendation
Sri Lanka Cricket had incorporated a company named “Cricket Aid (Guarantee) Ltd” and an annual allocation of Rs. 10 million is approved by executive committee of Sri Lanka Cricket to support charitable work and to implement corporate social responsibility programmes. However, Sri Lanka Cricket had not disclosed these details in the financial statements as a related party transaction of Sri Lanka Cricket in accordance with Sri Lanka Accounting Standard 24	The seven members of the Office Bearers of Sri Lanka Cricket are the Directors of Cricket Aid and necessary disclosures will be accommodated with next year financial statements.	Prompt action should be taken to disclose these details in the financial statements as a related party transaction of Sri Lanka Cricket in accordance with Sri Lanka Accounting Standard 24

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.2,149,937,564 and the corresponding surplus in the preceding year amounted to Rs.2,118,960,664. Therefore, an improvement amounting to Rs.30,976,900 of the financial result was observed. Even though the expenses had been increased by Rs.1,138,131,923, increase of income by Rs.1,160,301,204 and decrease of tax expense by Rs.1,057,190 had mainly attributed for this improvement.

3. Operational Review

3.1 Human Resources Management

Audit Issue	Management Comment	Recommendation
An action had not been taken to recover the loans amounting to Rs.1,080,825 from 17 officers who resigned from the Sri Lanka Cricket before the year 2015.	This amount relates to the staff members who have left the organization before 2015.	Prompt action should be taken to recover the loan balance from the officers or from sureties.