

National Olympic Committee of Sri Lanka – 2018

1.1 Qualified Opinion

The audit of the financial statements of the National Olympic Committee of Sri Lanka (“Committee”) for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of income and expenditure, statement of changes in funds and reserves and cash flow statement 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 No 19 of 2018. My comments and observations which I consider should be reported 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 National Olympic Committee of Sri Lanka 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 for Small and Medium sized Entities (SLFRS for SMEs).

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 for Small and Medium sized Entities (SLFRS for SMEs), 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 National Olympic Committee of Sri Lanka’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 National Olympic Committee of Sri Lanka or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the National Olympic Committee of Sri Lanka’s financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the National Olympic Committee of Sri Lanka 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 National Olympic Committee of Sri Lanka.

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 National Olympic Committee of Sri Lanka'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 National Olympic Committee of Sri Lanka'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 National Olympic Committee of Sri Lanka 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 National Olympic Committee of Sri Lanka, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the National Olympic Committee of Sri Lanka has complied with applicable written law, or other general or special directions issued by the governing body of the National Olympic Committee of Sri Lanka;
- Whether the National Olympic Committee of Sri Lanka has performed according to its powers, functions and duties; and
- Whether the resources of the National Olympic Committee of Sri Lanka 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 for Small Medium sized Entities

	Non-Compliance with the reference to particular Standard	Management Comment	Recommendation
(a)	The computer and accessories, gym equipment, office equipment and furniture and fittings costing Rs.12,293,912 were still in used though they had been fully depreciated. However, action had not been taken to rectify the estimated error in terms of Paragraph 18 of the Section 10 of the Standard, as a result of not annually reviewing the useful life of non-current assets in terms of Paragraph 19 of the Section 17 of the Sri Lanka Accounting Standard for Small and Medium sized Entities.	Action will be taken to revalue the assets and equipment which had been fully depreciated in 2018.	The residual value and the useful life of an assets should be reviewed at least at each financial year-end.
(b)	The assets and liabilities should not be set off each other when preparing financial statements except it allows to do so as per the Paragraph 52 of the Section 2 of Sri Lanka Accounting Standard for Small and	Shall take action to rectify in 2019.	The assets and liabilities should not be set off each other when preparing financial statements except it allows to do so as per the Paragraph 52 of the Section 2 of Sri Lanka Accounting

Medium sized Entities. However, 03 payable balances totalling Rs.189,164 had been set off against 25 trade debtor balances totalling to Rs.803,856 and payable balances of 3 grants totalling Rs.800,000 had been set off against the grant expenses during the year under review.

Standard for Small and Medium sized Entities.

1.5.2 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
(a) Even though the life time of the non-current assets of National Olympic Committee of Sri Lanka had exhausted, it had not been fully depreciated as at 31 December 2018. Therefore, non-current assets valued at Rs.5,224,794 had been over stated in the financial statements as at 31 December 2018 and depreciation for non-current assets of the National Olympic Committee of Sri Lanka for the year 2018 had been under stated by Rs.842,440 due to erroneous calculation of the depreciation.	Comments noted	Prompt action should be taken to rectify the issue and make necessary adjustment in the financial statements.
(b) Annual membership federation grant relating to the year 2017 amounting to Rs.926,000 had been shown in the financial statements as income for the year 2018, instead of being adjusted the income for the year 2017.	Comments noted and will comply with 2019	Prompt action should be taken to make necessary adjustment in the financial statements
(c) Contribution for the Employees' Provident Fund and Employees' Trust Fund of the National Olympic Committee of Sri Lanka for the year 2018 had been under stated by Rs.122,717 and Rs.30,679 respectively due to not considering of cost of living allowances amounting to Rs. 1,022,645 for the calculations.	Comments noted	Prompt action should be taken to measure the Contribution for the Employees' Provident Fund and Employees' Trust Fund of the National Olympic Committee of Sri Lanka.

- (d) According to the books of accounts of the Department of Sports Development, a sum of Rs.6,878,916 should be receivable from the National Olympic Committee of Sri Lanka. However, it had not been shown in the financial statement of the National Olympic Committee of Sri Lanka as a payable balance for the year under review.
- This has been carried forward for many years and we have been working to clear the balances due between us and Sports Ministry/ Department of Sports Development. But we have not been able to get these monies from department though we have written to them many times.
- 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.	per Difference Rs.	Management Comment	Recommendation
Receivable from the Department of Sports Development	640,906	10,639,306	9,998,400	This has been carried forward for many years and we have been working to clear the balances due between us and Sports Ministry/ Department of Sports Development. But we have not been able to get these monies from department though we have written to them many times.	Prompt action should be taken to reconcile the balances in the financial statements

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs.11,596,940 and the corresponding deficit in the preceding year amounted to Rs.10,932,177. Therefore, a deterioration amounting to Rs.10,932,177 of the financial result was observed. Though the total income was increased by Rs.24,688,125, increase of income total expenses by Rs.35,195,121 had mainly attributed for this deterioration.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
(a) Thirty-three National federations have been registered as members of the National Olympic Committee of Sri Lanka in the year 2017. However, 24 member federations had only given annual grants totalling to Rs.5,641,000 and 09 members had not given grants for the year 2017 due to not submitting of proper documents to the National Olympic Committee of Sri Lanka.	The approved procedure adopted by the previous committee is that the national federation has to comply with certain requirements and apply for their annual grant during the year. If the national federations do not fall in line and apply for their grant, the National Olympic Committee of Sri Lanka cannot provide the grant.	Prompt action should be taken to provide the grant for the national federations registered as member of the National Olympic Committee of Sri Lanka in order to develop the sport activities of the nation.
(b) Out of 33 national member federations of the National Olympic Committee of Sri Lanka for the year 2018, 22 members had only given the annual grants totalling to Rs.4,400,000 for the year 2018 and 05 members had given annual grants for the year 2017 amounting to Rs.926,000. However, 11 members had not given annual grant for the year 2018 due to not submitting of proper documents to the National Olympic Committee of Sri Lanka.	The approved procedure adopted by the previous committee is that the national federation has to comply with certain requirements and apply for their annual grant during the year.	Prompt action should be taken to provide the grant for the national federations.

3.2 Idle or underutilized Property, Plant and Equipment

Audit Issue	Management Comment	Recommendation
It was observed that the Olympic Committee of Asia (OCA) Coffee Table Book and Technical Course Certificates valued at Rs.1,000,000 and	Agreed. Action will be taken to solve the issue of idle stock in inventory assets in 2019.	Prompt action should be taken for the effective management of the stock.

Rs.19,350 respectively shown under the inventory items in the financial statements for the year 2018. However, those items had been kept in idle for over one year.

3.3 Human Resources Management

Audit Issue	Management Comment	Recommendation
A proper Scheme of Recruitment approved by the Executive Committee for the staff of the Olympic Committee had not been prepared and the cadre of the National Olympic Committee of Sri Lanka had not been approved by the Executive Committee.	We are not large profit generating operation, hence manage with a bare minimum staff to keep the overheads at the bare minimum. As and when with upcoming projects/ projects in hand, we carry out a need evaluation of the staff and do recruitments.	An approved scheme for recruitment and cadre should be prepared for effective human resource management.

3.4 Procurement Management

Audit Issue	Management Comment	Recommendation
Though the procurement guidelines for the year 2018 had been prepared by the National Olympic Committee of Sri Lanka, it had not been approved by the Executive Committee. Further, the procurement plan for the year 2018 had not been prepared by the National Olympic Committee of Sri Lanka. Furthermore, approval of the procurement limits had not been determined in the procurement guidelines of the National Olympic Committee of Sri Lanka for the year 2018.	We have prepared and obtained the EXCO approval for the procurement guidelines in 2019. Further, we have prepared the procurement plan for 2020 and defined the procurement limits in guideline that was approved in 2019.	Prompt action should be taken to approve the procurement guideline, prepare the action plan and determine the procurement limits.

4. Accountability and Good Governance

4.1 Corporate Plan

Audit Issue

The Corporate Plan should consist of strategies that determine the future direction of the Committee, but a Corporate Plan incorporating realistic and achievable targets which can be compared with set targets, had not been prepared by the Committee.

Management Comment

We have provided provisions in the 2020 budget to conduct a strategic planning session in order to develop our strategic plan.

Recommendation

Prompt action should be taken to prepare the Corporate Plan consisting the future direction of the Committee.

4.2 Annual Action Plan

Audit Issue

An action plan including achievable targets and goals within the stipulated period had not been prepared for the year 2018.

Management Comment

We will prepare action plan from next year onwards.

Recommendation

Prompt action should be taken to prepare the Action Plan.