

## **National Olympic Committee of Sri Lanka - 2020**

---

### **1. Financial Statements**

---

#### **1.1 Opinion**

---

The audit of the financial statements of the National Olympic Committee of Sri Lanka (“Committee”) for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 No19 of 2018. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, 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 2020, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standard for Small and Medium Sized Entities (SLFRS for SMEs).

#### **1.2 Basis for Opinion**

---

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 intend 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 Committee'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 Committee'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 Committee 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 Committee, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Committee has complied with applicable written law, or other general or special directions issued by the governing body of the Committee;
- Whether the Committee has performed according to its powers, functions and duties; and
- Whether the resources of the Committee had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

#### 1.5 Non-Compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules Regulations	Non-Compliance	Management Comment	Recommendation
Sports Law, No 25 of 1973 and Extortionary Gazette Notification No 773/7 dated 29 June 1993.	The National Olympic Committee should submit the quarterly reports to the Ministry of Youth and Sports regarding the receiving of grants domestically and internationally. However, the Committee had failed to submit the reports regarding the domestically received fund amounting to Rs. 25,219,095 and Internationally received grant amounting to Rs. 119,358,672 for the year 2020.	NOC SL is governed by the IOC approved constitution (formed in 1937) well before enactment of Sports Law in 1973 and ministry has been briefed on regular monthly meetings and this has being the practice. All the projects and activities are being executed with proper time frame and agreement with the international body We plan all projects and activities properly and effectively to enhance the sports and athletes at all level whichever funds received from internationally or locally.	NOC should be submitted quarterly reports to the Ministry of Sports regarding the domestic and international grant received according to the Sports Law.

## 2. Financial Review

-----

### 2.1 Financial Result

-----

The operating result of the year under review amounted to a surplus of Rs.19,329,390 and the corresponding deficit in the preceding year amounted to Rs.19,356,744. Therefore, an improvement amounting to Rs.38,686,134 of the financial result was observed. Decrease of the operating expenditure by Rs.50,032,411 had mainly attributed for this improvement.

## 3. Operational Review

-----

### 3.1 Management Inefficiencies

-----

Audit Issue	Management Comment	Recommendation
(i) Thirty four National Federations had been registered under the National Olympic Committee as at end of the year under review. The annual grant amounting to Rs.6,400,000 had been allocated during the year under review for the payments of 32 Federations, out of 34 Federations. As well, unpaid allocations made in the preceding years as at beginning of the year under review amounted to Rs.8,630,074. Nevertheless, as a result of not submitting of relevant documents for the releasement of grants to the registered Federations, a some of Rs. 5,227,217 had been hold by the Committee without being paid as at end of the year under review. The committee had not taken action to monitor the situation as the controlling entity.	The approved procedure adopted by the committee is that the NF's has to comply with certain requirements and apply for their annual grant and projects related expenses during the year. If the NF's do not fall in line and apply for their grant or any projects expenses, the NOC cannot release funds or is not responsible for such acts of NF's. Hence we disagree with the comment that NOC have not given any funds and instead it should be the NF's has not shown interest and collected their grants.	NOC should be release the grant to member federations after obtaining the relevant documents and taken action to monitor the situation as the controlling entity.

(ii)	Action had not been taken to settle the payables to the Department of Sport Development amounting to Rs.517, 784 since the year 2017.	We were keeping these amounts as payable/liability in our books that have been carried forward since 2017. However, as the Department of Sports does not have any record on this regard, we will do a write back in next year. We do not see any wrong the way in treating this liability.	Prompt action should be taken to settle the payables.
------	---	--	---

### 3.2 Procurement Management

-----

#### Audit Issue

-----

A separate procurement guideline had been prepared and approved by the Executive Committee of National Olympic Committee in order to deviate from the Government Procurement Guideline 2006. However, the approval of the Secretary of Ministry of Youth and Sports had not been obtained for the said Procurement guideline. As well, some significant components of the Government Procurement Guideline such as procurement planning, bidding period, bid evaluation criteria, advance payments for procurement, performance security, retention for contracts, payment for Value Added Tax, bid security, liquidated damages and award of contract etc. had not been included in the separate procurement guideline prepared by the National Olympic Committee.

#### Management Comment

-----

Procurement guideline has been laid down as per the government guidelines of 2006 and has been approved by the executive committee. There is no requirement to get any other approval as we have not violated in any way the guideline.

#### Recommendation

-----

Prompt action should be taken to prepare the procurement guideline including all significant components and get the approval of the secretary of Ministry of Youth and Sports.

### 3.3 Human Resources Management

-----

#### Audit Issue

-----

A proper Scheme of Recruitment of staff for the Committee had not been prepared.

#### Management Comment

-----

We are not a large profit generating operation; hence we manage with a bare minimum staff to keep the overheads at the bare minimum. Based on any

#### Recommendation

-----

A scheme for recruitments and cadre should be prepared and get the approval in order to conduct effective

new activity or projects undertaken, if necessary, recruitments are done having carried out a proper evaluation with EXCO approval. We do not see this as a requirement currently for NOC. We also use volunteers in our projects where ever possible.

human resource management system.

#### 4. Accountability and Good Governance

-----

##### 4.1 Corporate Plan

-----

###### **Audit Issue**

-----

The Corporate Plan had not been prepared by the Committee.

###### **Management Comment**

-----

For this institution it is not feasible to make a strategic plan as we concentrate on different games and activities from year to year. The organization is run with mainly grants/donations received for differ games that changes from year to year.

Making just a strategic plan that is not realistic can only make the organization ineffective.

###### **Recommendation**

-----

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