

Sri Lanka Cricket - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Cricket (“Sri Lanka Cricket”) for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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(1) 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 2020, 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 based 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 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 skepticism 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 Audit Observations on the preparation of Financial Statements

1.5.1 Non-Compliance with Sri Lanka Accounting Standard

Non-Compliance with the reference to particular Standard	Management Comment	Recommendation
(a) According to the Paragraph 22 of the Sri Lanka Financial Reporting Standard 16, the lessee should recognize for right of use assets and lease liability at the commencement date of lease agreement. However, lease agreement entered regarding the lease of premises of the Sinhalese sports club on 27 August 2020 for the period of five years had not been recognized under right of use asset and lease liability amounting to Rs.4 million per year had not been disclosed in the financial statements.	Noted the comment and the necessary entries will be passes in the Books of Account in the year 2021.	According to SLFRS, all the rights of use assets and lease liabilities should be disclosed in the financial Statements.
(b) According to the Paragraph B 5.5.4 of the Sri Lanka Financial Reporting Standard 9, if the entity does not have reasonable and supportable information that is available without undue cost or effort to measure lifetime expected credit losses on an individual instrument basis, it must assess life time losses in collective basis. However, contrary to that requirement of the Standard, impairment of 12 individual sponsorship receivable balances totalling Rs.582.6 million shown under the financial instruments had been calculated based on the collective basis. As a result, the accuracy of the impairment charges shown in the financial statements could not be ascertained in audit.	Taking into consideration of the sponsorship receivable individually the management is in the view that the balances are recoverable. Base on that a general impairment has been done.	Compling with the requirement of the SLFRS, the impairment losses should be calculated.

1.5.2 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
Four projects valued at Rs.47,438,675 had to be permanently abandoned due to not obtaining of the necessary approvals from the respective Local Authorities and the Urban Development Authority. However, the value of abandoned projects amounting to Rs.47,438,675 had been included under the work - in - progress of the year under review. Therefore, work - in - progress for the year 2020 had been overstated by that amount in the financial statements.	SLC evaluated the possibilities to using the work done for future development activities and to recover the overpayment	Action should be taken to make the adjustment in the financial statements.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Issue	Management Comment	Recommendation
(a) A receivable income for Sponsorship Rights amounting to Rs.34,938,077 (USD 187,085) related to the South Africa Tour in Sri Lanka in the year 2018, had been shown in the financial statements 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 sponsorship is in uncertain.	Based on the legal opinions received, the management is of the view that the amount is recoverable and accordingly no impairment has been recognized in the financial statements.	Action should be taken to recover the receivable income even from the ledger proceedings.
(b) Withholding Tax Receivable aggregating Rs.38,229,740 were remained outstanding for over 5 years without being recovered or adjusted in the financial statements.	SLC has taken steps to recover the WHT receivable.	Action should be taken to make necessary adjustments in the financial statements or recover the receivables.
(c) Eighteen debit balances aggregating Rs.41,495,183 had been written off by the Sri Lanka	The process carried out in this regard is reasonable and	Before write-off the debts, it should be thoroughly examined the possibilities to

Cricket due to Unavailability of source documents for the respective transactions.

justifiable.

recover the debts.

1.6.2 Payables

Audit Issue

Other payable balances aggregating Rs.16,020,449 were remained as unsettled for a period ranging from 2 to 3 years.

Management Comment

SLC in the process to clear these highlighted payable balances during the year 2021.

Recommendation

Action should be taken to make the settlement after being confirmed the liability and if there are no further liability to make settlements it could be write off to the equity.

1.6.3 Advances

Audit Issue

The advances given to the Cricket Associations during the year 2015 to 2019 amounting to Rs.10,292,337 had been shown in the financial statements as advances to tournaments without being recovered.

Management Comment

SLC has taken to collect pending documents.

Recommendation

Prompt action should be taken to recover the advances.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs.211, 234,954 and the corresponding surplus in the preceding year amounted to Rs.470, 444,762. Therefore, a deterioration amounting to Rs.2, 730,434,952 of the financial result was observed. Decrease the income by Rs.517, 904,180 was mainly attributed for that deterioration.

3. Operational Review

3.1 Operational Inefficiencies

Audit Issue

(a) A total sum of Rs.115,138,947 had been paid for the Swimming Pool Project at Dambulla

Management Comment

Main reason for Delay is due to the COVID'19

Recommendation

Action should be taken to complete

and Pallekele International Cricket Stadium including mobilization advance and consultancy fees during the period from 2018 to 2020. Although these projects scheduled to be completed within 6 months from the date of commencement of the projects, the projects had been commenced on 18 December 2019 and 04 December 2019 respectively after delaying of over 6 months. As a result, constructions of those projects had not been completed even up to the end of the year under review.

pandemic & all steps taken already to complete the project during the year 2021.

the construction works as early as possible.

3.2 Procurement Management

Audit Issue	Management Comment	Recommendation
Refurbishment works of existing building – R. Premadasa International Cricket Stadium		
(a) As per section 5.4.4 of Government Procurement Guideline maximum amount payable as mobilization advance is 20 per cent of the contract sum. However, the Sri Lanka Cricket had paid a sum of Rs.157,635,000 or 40 per cent of the contract sum as mobilization advance to the construction Company contrary to the above requirement. Thus, a sum of Rs.78, 842,500 had been over paid as an advance. Further, although construction should have been completed by 20 May 2020, it had not been completed even by May 2021.	40% advance released with necessary approvals & after getting 100% advance guarantee.	Mobilization advances should be paid according to the Government Procurement Guildlines.
(b) The Sri Lanka Cricket had procured 2 nos of Physiotherapy Equipment valued at to Rs.24,270,099 for the Physiotherapy Department during the year under review. As per Section vi (2.5) of the procurement manual of Sri Lanka Cricket, an open procurement procedure should be applied for the procurement from Rs.1 million to Rs.25 million. However, without being called tenders, those 02 equipments had been purchased from registered and unregistered suppliers respectively. A	Equipment had been procured based on user department and technical committee recommendation.	Procurement procedure of the board should be followed as per the requirement.

period of more than one year had been taken to complete the above procurement and action had not been taken to obtain performance bond from the selected supplier and no agreements had been signed with the suppliers.