

Sri Lanka Rugby - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Rugby (“Sri Lanka Rugby”) for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 Rugby as at 31 December 2021, 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 Preparation of Financial Statements

1.5.1 Accounting deficiencies

Audit observation	Comment of the Management	Recommendation
Rs.3.3 million had been given to 5 Provincial Sports Associations for sports development from 2016 to 2019. bill payments from 2016 to 2019 related to advance expenses were stated as expenses of the year under review.	Will be considered it while disbursing money to Provincial Associations whose advances have not been settled.	Immediate steps should be taken to settle the dues to external parties from time to time.

1.5.2 Lack of Documentary Evidences for Audit

Item	Amount Rs. Million	Evidence not provided	Comment of the Management	Recommendations
Payable accounts	15.3	Conformation of the balance	Necessary action will be taken to Correct in future.	Adequate and appropriate audit evidence should be provided in respect of liabilities.

1.6 Accounts Receivable and Payable

1.6.1 Receivable Accounts

Audit observation	Comment of the Management	Recommendation
Rs. 1.2 million given to 02 Provincial Associations for sports development activities for a period of 05 years included in Accounts Receivable had not been settled	The association has worked to settle all these advances in the year 2022.	The actions should be taken to settle all the advances promptly.

1.6.2 Accounts Payable

Audit observation -----	Comment of the Management -----	Recommendation -----
From a period of 02 to 05 years Rs. 3.3 million in 51 accounts and related to the year under review 08 other payment balances amounting to Rs.2.5 million had not been settled. Rs. 35 million from the opening loan balance of the year Rs. 3.1 million had been paid during the year under review and Rs. 32.5 million remained to be paid.	Agreed	The immediate action should be taken to settle the dues to the external parties.

1.7 Non compliances with Laws, Rules and Regulations

Reference to Laws, Rule and Regulation -----	Non compliances -----	Comment of the Management -----	Recommendations -----
The Section 14.1 (k) and (l) of the Sri Lanka Rugby Constitution	Provincial Rugby Football Clubs are required to submit financial statements certified by a Chartered Accountant within 45 days of the end of each financial year, however no statutory action was taken regarding non-submission of financial statements by 04 Provincial Rugby Football Clubs.	Attached herewith the financial statements of the Provincial Associations that have not been received.	According to the Sri Lanka Rugby Constitution, financial statements certified by a Chartered Accountant should be submitted.

1. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.658,202, and the corresponding deficit of the preceding year amounted to Rs. 8,741,462. Therefore, an increase amounting to Rs. 9,399,664 of the financial statement had been observed. Decrease the expenditure by Rs. 13,804,113 was the mainly reason for that increase.

3. Operational Review

3.1 Management inefficiencies

Audit observation	Comment of the management	Recommendations
(a) A sponsorship agreement for the broadcasting of international and domestic sports for Rs. 85 million had been entered from the year 2015 to the year 2020 with a private company. The above company offer a payment of Rs.65 million for the year 2021. However the entity had not given the sponsorship rights to the company or any other company. Therefore the entity had lost sponsorship income due to non-provision of sponsorship rights.	The Dialog Company has refused the sponsorship of the association without the broadcast rights. Furthermore, the agreement with the Dialog Company has set conditions for no other sponsor to enter the Rugby Union and the company has demanded all advertising rights. Therefore, it is a problem for the association to get another sponsor.	Dialog should work to obtain the necessary sponsorship income to achieve a more effective financial performance for the association without broadcasting rights.
(b) In 2020, the Appeal Advisory Committee had recommended that the membership of the Western and Uva Provincial Rugby Football Associations should be revoked due to non-payment of membership fees to Sri Lanka Rugby for the year 2019, however the recommendation had not been enacted.	Due to non-payment of membership fees related to the year 2020 by the Western Province Association and also due to the fact that the Uva Provincial Association did not organize tournaments, only the relevant voting rights related to that year have been cancelled.	In relation to Provincial Rugby Football Associations whose membership has been cancelled, The action should be taken in accordance with the association's constitutional Rules and Regulations.