

**1. Financial Statements**

**1.1 Opinion**

The audit of the financial statements of the National Olympic Committee of Sri Lanka (“NOCSL”) for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of comprehensive income, statement of changes in funds and reserves and cash flow statement for the year then ended, and notes to the financial statements, including a material accounting policy information 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 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 NOCSL as at 31 December 2023, 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 misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the NOCSL’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 NOCSL or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the NOCSL’s financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the NOCSL 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 NOCSL.

## 1.4 Scope of Audit

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, 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 NOCSL'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 NOCSL'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 NOCSL 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 NOCSL, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the NOCSL has complied with applicable written law, or other general or special directions issued by the governing body of the NOCSL;
- Whether the NOCSL has performed according to its powers, functions and duties; and
- Whether the resources of the NOCSL 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 and Regulations and management Decisions etc.

Reference to Laws/ Directions	Non –Compliance	Management Comment	Recommendation
Regulation No. 773/7 dated 29 June 1993 made by the Minister of Sports under Section 41 of Sports Act, No. 25 of 1973			
(i) Section 2 (a)	A sum of Rs. 7,587,673 had been spent during the year under review for the participation of the delegates in the overseas programs. However, the NOCSL had not taken necessary actions to obtain the reports from these delegates with regard to matters discussed in the overseas congresses, committees, conferences or other meetings, within 30 days after returning them to Sri Lanka.	In the future, we will continue to have better dialogs with the ministry of sports about the future developments of sport activities in Sri Lanka.	Prompt action should be taken against the responsible officers who are not followed laws and regulations.
(ii) Section 8 (a) and (b)	Although the total income of Rs.264,363,370 had been recognized by the NOCSL during the year under review from domestic and foreign	For good governance purpose NOCSL is happy to share information in moving forwards.	Prompt action should be taken against the responsible officers who are not followed laws and regulations.

sources, the quarterly progress reports with regard to the activities performed by the NOCSL had not been submitted to the minister subject to the sports.

## **1.6 Accounts Receivable and Payable**

### **1.6.1 Receivables**

<b>Audit Issue</b>	<b>Management comment</b>	<b>Recommendation</b>
Receivable amount of Rs. 271,800 and Rs.720,047 from the Cycling Federation of Sri Lanka and Sri Lanka Baseball / Softball Federations respectively had remained outstanding for over 3 years without being recovered.	NOCSL will take necessary action to collect relevant documentations before releasing next annual grant.	Action should be taken to recover the outstanding balances without delay.

## **2. Financial Review**

### **2.1 Financial Result**

The operating result for the year under review amounted to a surplus of Rs. 8,464,684 and the corresponding surplus in the preceding year amounted to Rs. 59,349,294. Therefore, a deterioration amounting to Rs. 50,884,610 in the financial result was observed. The main reason for this deterioration was decrease of project income by Rs. 63,656,868 with compared to the previous year.

## **3. Operational Review**

### **3.1 Management Inefficiencies**

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a) The gymnasium of the NOCSL had been leased out from 01 July 2021 to 30 June 2026 to an outside party with an annual lease rent of Rs. 4,851,000 for the first year. Subsequently, the lessee had vacated the gymnasium without settling the outstanding balances of Rs. 2,699,256 as at 31 December 2023. However, the settlement of outstanding balances had not been completed even as at the date of	The NOCSL will take necessary action to recover the balance amount from the parties.	Action should be taken to recover the outstanding balances.

this report even after incurring Rs. 35,000 for this settlement process.

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| (b) | The NOCSL had entered into a lease agreement on 01 March 2022 with a private company to leased out the restaurant of the NOCSL for two-years period and the effective date of the agreement is 01 November 2022. Out of the annual lease rental amounting to Rs. 9,000,000 a sum of Rs. 3,801,979 had remained unrecovered as at 31 December 2023. Further, the NOCSL had failed to renew the bar license of the restaurant even after obtained Rs. 683,000 on 30 January 2023 for this purpose from the leaseholder. | The NOCSL is in the process of recovering the outstanding balance and renew the agreement.                    | Action should be taken to recover the outstanding balances.                         |
| (c) | A sum of Rs.1,602,000 had been incurred by the NOCSL for providing gifts and donations to athletes, officials and coaches during the year under review without an approved scheme for this purpose.   | NOCSL does not have formal guideline on how to provide donations. The NOCSL intend to develop such guideline. | Action should be taken to establish a proper scheme to provide gifts and donations. |

### 3.2 Operational Inefficiencies

	<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a)	The NOCSL had selected 08 athletes for awarding scholarships for the Paris Olympics in 2024 and paid total scholarships amounting to Rs. 53,009,144 to them during the period from 2022 to 2024 for the preparations for qualify to the Olympic Games 2024. However, none of the selected scholarship holders could be able to qualify for the Olympic Games 2024 while 06 athletes who represented Sri Lanka in the Olympics were not among the scholarship recipients.	Comments had not been received.	The NOCSL should follow the instructions of the Department of Sports Development when selecting the athletes, and introduce a formal mechanism to select talented athletes.

Accordingly, it was observed that the NOCSL could not able to achieve the expected objectives of the scholarship program due to non-selection of athletes on priority basis as instructed by the Department of Sports Development and failure to introduce a proper mechanism to select the competent players and regularly monitor them.

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| (b) | The NOCSL had incurred a sum of Rs.15,450,579 to provide the overseas training to an athlete with the purpose of preparing for the Asian Games 2023. However, the approval of the executive committee, the National Athletic Federation and Department of Sports Development and the relevant minister's had not been obtained to provide this training during the year under review. Further, this athlete had not been selected for the Asian Games due to poor performance. | This decision was made collectively by our Executive Board.   | The NOCSL should obtained the approval of the relevant authorities to provide the training to athletes. |
| (c) | The NOCSL had not taken action to release the allocated annual member grants aggregating to Rs. 5,400,000 and other project-related payments aggregating Rs.5,266,980 to the respective 18 National Associations of Sports during the year under review.   | The NOCSL will explore possible ways to expedite fund allocation process to sports federations.   | Action should be taken to release the allocation to the respective National Associations of Sports.     |
| (d) | The recommendations made by the three-member Committee appointed on 21 December 2023 by then Minister of Youth Affairs and Sports to investigate the allegations contacted by the certain members of the Executive Board of the NOCSL had not been implemented yet. Further, the NOCSL had failed to take fruitful   | The secretary general of NOCSL has sent the response letter to the director general of Department of Sport Development on 18 April 2024 in this regard. | Appropriate action should be taken to implement the recommendations made by the three-member Committee. |

actions against the Secretary General of the NOCSL as recommended by its Ethics Committee report dated 04 September 2024.

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| (e) | The International Olympic Committee (IOC) had imposed the financial suspense against the NOCSL with affect from 10 December 2024 and there is a possibility to suspension of the IOC's membership over the NOCSL in near future due to ongoing existing internal governance disputes, ethical issues and disunity among the members of the Executive Committee. This situation is badly damaged the credibility and reputation of the NOCSL and caused to the downfall of the sports of the country too. | The NOCSL has taken the recommended action to suspend the Secretary General. We are addressing the matter promptly and hopeful of restoring the funding for Sri Lanka in order to support the development of sports and careers of athletes. | Disciplinary actions should be taken against the officers who involved with allegations. |
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### 3.3 Transactions of Contentious Nature

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a) Without getting consent of the weightlifting Federation the NOCSL had made an advance payment of US\$ 1,430 equivalent to Rs. 464,750 on 19 October 2023 to a retired Weightlifter in order to complete an overseas sport education program. Even though the NOCSL expected to deploy this weightlifter as a coach, he had not returned to Sri Lanka after completing the foreign education program. Further, the advance obtained had not been settled even as at the date of audit.	The NOCSL will take necessary action to recover the amount granted. Also the NOCSL will establish a formal procedure for granting similar payments in future.	Action should be taken to settle the advance and establish a formal procedure for granting similar payments in future.
(b) The NOCSL had hired an external legal consultant for a period of two years commencing from 1	The NOCSL agreed that we hired external legal consultant with a monthly payment of Rs.	The management should take action to obtain the services

February 2023 to assist the NOCSL in dealing with legal and compliance matters/issues and paid a sum of Rs. 935,000 during the year under review. In the meantime, a sum of Rs.6,878,219 had also been paid to the external legal personnel as professional expenses for the same matters and issues.

85,000. When there is a need for additional legal advice as per the recommendation of the legal consultant or Executive Committee.

from its legal officers in an efficient manner.

(c) The NOCSL has made arrangements to participate 176 persons to the Common Wealth Game held in 2022. Out of those, six persons had been participated without the approval of the Minister of Sports and Youth Affairs while fourteen persons participated in this event had not been returned to the island after completion of this Games. However, a sum of Rs. 9,294,968 had been spent by the NOCSL on behalf of 12 participant during the year 2022.

Six members took part in the games were approved in the Executive Board meeting held in 2022.

Disciplinary actions should be taken against the officers who involved with allegations.

### 3.4 Human Resources Management

#### Audit Issue

A Scheme of Recruitment and promotion for the NOCSL had not been prepared even by the date of this report.

#### Management Comment

The NOCSL will take necessary action to evaluate the its present and future needs and prepare a new list of carders within the next year.

#### Recommendation

A scheme for recruitments should be prepared and get the approval in order to maintain effective human resource management system.

#### **4. Accountability and Good Governance**

##### **4.1 Action Plan**

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
An approved Action Plan including the achievable targets and goals during the stipulated time period relevant to the year 2023, had not prepared by the NOCSL.	The NOCSL will take necessary action to introduce a separate time targets to achieve its annual goals.	Steps should be taken to prepare an Action Plan annually.