

## **Sri Lanka Rugby - 2023**

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### **1. Financial Statements**

#### **1.1 Disclaimer of Opinion**

The audit of the financial statements of the Sri Lanka Rugby 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 equity and statement of cash flow for the year then ended and notes to the financial statements, including 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 and Section 21 A of the Sports (Amendment) Act, No. 47 of 1993. My Comments and observations which I consider should be report to parliament appear in this report.

I do not express an opinion on the accompanying financial statements of the Sri Lanka Rugby. Because of the significance of the matters described in paragraph 1.5 of this report. I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

#### **1.2 Basis for Disclaimer of Opinion**

I am expressing a Disclaimer of opinion 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 auditing standards are further described in the Scope of Audit section of my report.

#### **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 Sri Lanka Rugby'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 Sri Lanka Rugby or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Sri Lanka Rugby's financial reporting process.

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

## 1.4 Scope of Audit

My responsibility is to conduct an audit of the Sri Lanka Rugby's financial statements in accordance with Sri Lanka Auditing Standards and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of opinion section, I was not able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

## 1.5 Audit Observations on the preparation of Financial Statements

### 1.5.1 Going Concern of the Organization

Audit Issue	Management comment	Recommendation
The total current liabilities of the Sri Lanka Rugby had exceeded its total current assets by Rs. 39,209,383 and the total liabilities had exceeded its total assets by Rs. 40,365,299 as at the end of the year under review. Further, audit revealed that the negative balance of the accumulated fund had exceed its total assets by Rs.25,030,520 as at 31 December 2023 which indicate a material uncertainty on the Going Concern of the Sri Lanka Rugby. However, it had not been disclosed in the financial statements.	Comments had not been received	The Sri Lanka Rugby should be disclosed and ensured the ability for the Going Concern in the financial statements.

### 1.5.2 Non-Compliance with Sri Lanka Accounting Standards

Non Compliance with the reference to particular Standard	Management Comments	Recommendations
(a) The useful life time or the rate of depreciation of a depreciable asset should be disclosed in terms of paragraph 17.31 of Part 17 to the Sri Lanka Accounting standards for Small and Medium-Sized Entities (SLFRS for SMEs). However, the useful life time or the rate of depreciation for the furniture and fittings had not been disclosed in the financial statements. Further, a difference of Rs.11,622 was observed between the depreciation amount of the sports equipment shown in the financial statements and the schedules of computation provided to audit.	Comments had not been received	Action should be taken to comply with the Accounting Standards.

- (b) Even though an expense of Rs. 330,000 had been incurred as legal fee in the year under review, the details about the legal cases and the obligations prevailed at the reporting date had not been disclosed under the contingencies in terms of Section 21 of the Sri Lanka Accounting Standards for Small and Medium-sized Entities (SLFRS for SMEs). - do - - do -

### 1.5.3 Accounting Deficiencies

Audit Issue	Management comment	Recommendation
<p>A long-term loan amounting to Rs. 5 million had been obtained from a private commercial bank on 07 December 2017 on a condition to settle within 03 years period. However, the repayment of this loan had been defaulted since May 2020. Accordingly, the outstanding loan balance of Rs. 1,362,221 prevailed as at the end of May 2020 should be settled with 03 percent normal interest and 04 percent penalty interest per annum. Nevertheless, the Sri Lanka Rugby had shown only Rs. 1,362,221 which is outstanding as at 31 May 2020 as a liability in the financial statements instead of being recognized the actual liability as at 31 December 2023.</p>	<p>Comments had not been received.</p>	<p>The actual liability should be recognized in the financial statements.</p>

### 1.5.4 Unauthorized Transactions

Audit Issue	Management comment	Recommendation
<p>Every payment voucher should be signed by approving officer and certifying officer. However, 142 payment vouchers aggregating to Rs. 17,008,285 had not been approved and certified by the authorized officers. Hence, accuracy of these payment could not be ascertained in audit.</p>	<p>Comments had not been received</p>	<p>Action should be taken to ensure that every payment voucher signed by approving officer and certifying officer.</p>

### 1.5.5 Documentary Evidences not made available for Audit

Item	Amount Rs.	Evidence not made available	Management Comment	Recommendation
(a) Legal fee	7,412,949	Bills , invoices and acknowledgements etc.	Comments had not been received	
(b) Advances	2,812,450	Payment vouchers, supporting documents and advance register.	- do -	Arrangements should be made to submit the required evidence to the audit.
(c) Progress of the implementation of the policy decisions.	-	The meeting minutes of the Executive Committee and progress thereof.	- do -	

### 1.6 Accounts Receivable and Payable

#### 1.6.1 Receivables

Audit Issue	Management Comment	Recommendation
A receivable balance amounting to Rs.1,882,343 had remained outstanding between 01-02 years without being recovered. Advances amounting to Rs. 1,249,442 given to 02 provincial associations had not been settled for over 05 years as at 31 December 2023 and no actions had been taken to recover these balances.	Comments had not been received.	Prompt action should be taken to recover the receivables and overdue advances.

#### 1.6.2 Payables

Audit Issue	Management Comment	Recommendation
(a) The creditors' balances as at 31 December 2023 amounting to Rs.2,129,100 and Rs.32, 959,023 had remained 01-02 years and over 03 years respectively without being settled.	Comments had not been received	In order to settle the creditor balance, the existing obligations should be investigated and dealt with accordingly.
(b) A sum of Rs. 53,000 payable to Employees' Trust Fund and Rs.1,000,000 employees' compensations had remained from year 2020 and 2021 respectively without being settled.	- do -	Arrangement should be made to pay the employee trust fund on the due date and also arrange to pay the workers' compensation due.

- (c) A sum of Rs.6,700,000 obtained from then Chairman of the Sri Lanka Rugby had not been repaid to him even up the date of the report due to financial restrictions prevailed in the organization. - do - Prompt action should be taken to settle the payables.

### 1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a) National Associations of Sports Regulations No. 01 of 2016 published in the Extraordinary Gazette Notification No. 1990/23 dated 27 October 2016.			
(i) Section (xi) of part III	A corporate plan for a period of 10 years including current international ranking, expected targets within the period and the strategies for enhancement of the performance had not been prepared.	Comments had not been received	A corporate plan should be prepared for a period of 10 years, including goals and strategies for improving performance.
(ii) Section (xii) of part III	Even though it should be prepared an annual action plan for the next year and said action plan should be submitted to Director General of the Department of Sports before 03 months from the end of current year, it had not been done so.	Comments had not been received	The annual action plan for the next year should be prepared and submitted to the Director General of the Sports Department.

(iii)	Section (xv) of part III	Even though the Annual Report with the audited financial statements together with audit report should be tabled at the Annual General Meeting or Special General Meeting, the Sri Lanka Rugby had not taken action to tabled 2021 and 2022 annual report.	Comments had not been received.	Annual reports for the year 2021 and 2022 should be tabled at the Annual General Meeting or Special General Meeting.
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(b) Guidelines on National Associations of Sports No. DSD/NSA/COM 01/2021 dated 17 December 2022 issued by Director General of Sports

i.	Guideline 3(iii)	Only 02 bank accounts can be maintained in maximum and if it is required to maintain more than 02 bank accounts, it should be informed to the Director General of Sports in writing. However, in contrary that, the Sri Lanka Rugby had maintained 04 bank current account.	Comments had not been received.	Arrangements should be made to obtain the necessary approvals.
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ii.	Guideline 3(xiv)	Board of survey should be carried out on fixed assets and inventory as at the end of every year and relevant reports should be submitted to Auditor General. However, board of survey had not been carried out on the fixed assets worth Rs.	Comments had not been received	Arrangements should be made to conduct the Board of survey.
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3,707,087 and inventory worth Rs.700,981 shown in the financial statements as at 31 December 2023.

## 2. Financial Review

### 2.1 Financial Results

The operating result of the year under review amounted to a deficit of Rs.4,456,249 and the corresponding deficit in the preceding year amounted to Rs.3,810,997. Therefore, a deterioration amounting to Rs. 645,252 in the financial result was observed. The reason for the deterioration was decrease the income by Rs.56,846,733, as against the decrease of expenditure by Rs. 47,370,972 with compared to previous year.

## 3. Operational Review

### 3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
As per the bank reconciliations statement, 15 cheques valued at Rs. 817,926 issued in the year 2021 and 2022 had not been presented even as at 30 September 2024. However, no actions had been taken to recognize them as revenue of the Organization.	Comments had not been received	Unpresented cheques with more than 06 month should be recognized as revenue.

### 3.2 Procurement Management

Audit Issue	Management Comment	Recommendation
Procurement Guidelines had been followed for the purchase of goods worth Rs.1,026,340 made in 04 instances contrary to the provisions in Section 11 of Extraordinary Gazette Notification No.2166/9 dated 10 March 2020.	Comments had not been received.	Procurement Guideline should be followed for the procurement of goods, works and services.

#### 4. Accountability and Good Governance

##### 4.1 Presentation of Financial Statements

Audit Issue	Management Comment	Recommendation
<p>According to National Associations of Sports Regulations No. 01 of 2016 published in the Extraordinary Gazette Notification No. 1990/23 dated 27 October 2016 of Section (xiii) of part III Even though the financial statements certified by the committee should be submitted to the Auditor General within 02 months from the end of each financial year before 28 February 2024, but the financial statements for the year 2023 had been submitted to the Auditor General only on 28 August 2024 by delaying approximately 06 months.</p>	<p>Comments had not been received</p>	<p>Financial statements should be submitted to the Auditor General within 02 months from the end of each financial year.</p>