

**1. Financial Statements**

**1.1 Opinion**

The audit of the financial statements of the Sri Lanka Cricket Institute (Sri Lanka Cricket) for the year ended 31 December 2023 comprising statement of financial position as at 31 December 2023, the statement of income, the statement of comprehensive Income, statement of changes in accumulated funds 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 No. 19 of 2018, Finance Act No. 38 of 1971 and 21A of the Sports Amendment Act No. 47 of 1993. My comments and observations which I consider should be reported 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 Sri Lanka Cricket Institute as at 31 December 2023 and financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

**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, 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 Institute 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 Building Research Organization 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 Institute financial reporting process.

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

## 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 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 Institute'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 Institution 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 Institute and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Sri Lanka Cricket Institute has complied with applicable written law, or other general or special directions issued by the governing body of the Sri Lanka Cricket Institute;

- Whether the Institute has performed according to its powers, functions and duties; and
- Whether the resources of the Institute had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## 1.5 Accounts Receivable and payable

### 1.5.1 Receivables

Audit Observation	Comments of the management	Recommendation
(a) The legal proceedings for recover the amount of Rs.37.5 million equivalent to USD 187,085 in sponsorship rights income due for the tour of Sri Lanka to South Africa in the year 2018 had not been completed.	As at the reporting date, this amount had not been received to Sri Lanka Cricket.	Arrangements should be made to recover the receivable amount without delay.
(b) The balance of VAT of Rs. 428.4 million due from the Inland Revenue Department to Sri Lanka Cricket was not settled by reconciling with the information of the Inland Revenue Department.	Despite continuous requests from the Inland Revenue Department with the support of tax advisors, the amount has not been charged so far. Sri Lanka Cricket has taken legal action in this regard.	Actions should be taken to settle the receivables amounts without delay.
(c) The withholding tax balance of Rs.38.2 million due from the Inland Revenue Department to the Sri Lanka Cricket Association had not been settled by reconciling with the information of the Inland Revenue Department.		
(d) Under the existing insurance system of the Sri Lanka Cricket, the amount of Rs. One million paid to the employees for medical bills had not been reimbursed from the insurance company for more than one year.	This was due to errors in the relevant bills or failure of the players/employees to submit the relevant bills to the insurance company within the stipulated time. The executive committee has received a approval to collect the money related to the insurance bills due from the relevant players/employees.	Arrangements should be made to collect the money due from the relevant parties without delay.

## 1.5.2 Payables

Audit Observation	Comments of the management	Recommendation
(a) The retention amount of Rs. 15 million payable for completed contracts had not been settled. Furthermore, the winners of the LPL tournament held in 2021, the Jaffna Kings, were to be given Rs. 6 million remained unpaid for more than a period of one year.	Out of this balance Rs. 1,002,100 were paid and released in the first few months of 2024. The balances are retained in the accounts as other contractors do not submit the required documents. If the required documents will not submitted, the balances will be accounted as income. Arrangements are being made to pay the prize money of the LPL tournament to the Jaffna Kings team in July 2024.	The action should be taken to find the obligations for settlement of payables and settled or taken into revenue.
(b) Deposits of Rs.1.6 million repayable on 31 December 2023 remained unsettled for more than one year.	The balances are still in the accounts as the relevant parties did not hand over the documents. If the money will not be applied, it will be taken in to income with a approvals.	
<b>2 Financial Review</b>		
<b>2.1 Financial Results</b>		

The operating result for the year under review was Rs. 2,073.56 million was a deficit, and correspondingly the last year's surplus was Rs.6,047.51 million. Accordingly a decline of the financial result by Rs. 8,121.07 million was observed. The decrease foreign exchange rate gain by Rs.7,738.35 million compared to the previous year and an increase of development expenditure by Rs.616.02 million was the mainly reason for this decline.

## 3. Operational Review

### 3.1 Operational Inefficiencies

Audit Observation	Comments of the management	Recommendation
(a) The contract cost amounting to Rs. 2.9 millions of Sri Lanka Cricket headquarters building modernization project has been	It is scheduled to be capitalized in the year 2024 after completion of the documents.	Action should be taken to complete the work and capitalize it.

started for more than 03 years however the work has not been completed yet.

- (b) In the selection of construction contractors for the island wide centre wicket (80'x10') and side wicket (45'x 6') construction projects, two bidders had been rejected by the Technical Evaluation Committee however the contract amounting to Rs. 64.7 million, had awarded to those contractors.
- This Turf Wickets manufacturing construction work is not included in the construction work in the Construction Industry Development Authority (CIDA). This is a pilot project started with the aim of creating a new industry for our country.
- The procurement process should be carried out by following the recommendations of the Technical Evaluation Committee.
- (c) In the year 2024, an advance of Rs.460.73 million had been given to 04 cricket associations for the development of stadiums for U-19 World Cup, which was proposed to be held in Sri Lanka. Although the relevant works were to be completed before 19 January 2024, none of the supposed projects had been completed within the relevant period. Due to non-fulfilment of the related tasks, Rs.195.1 millions of the due money was returned by the relevant cricket associations after the money was returned, the financial loss incurred by Sri Lanka Cricket is approximately Rs. 4.8 million. As at 31 May 2024, an amount of Rs.79.73 million had not been used for the related tasks by above 04 cricket associations.
- Based on the reasonable suspicion that if the Minister interferes with the administration of the Sri Lanka Cricket, the projects will be stopped midway, 4 sports clubs requested the estimated total amount as an advance and Sri Lanka Cricket gave 85% advance to those sports clubs.
- The executive committee has decided to recover the interest loss incurred by the Sri Lanka Cricket Association from the respective sports clubs due to the delay in handing over the money back by the respective sports clubs. As those sports clubs are obliged to pay money for the currently completed construction, it is essential to keep the necessary money in their accounts.
- The projects should be completed within the relevant period and action should be taken to recover the financial losses incurred by the organization due to the non-fulfilment of the tasks within the relevant period.
- (d) Only Rs.80.3 million of the amount of Rs.297.86 million given in advance to 07 cricket clubs and cricket associations and 03 schools for various development works, in the year 2023 had been completed and the remaining amount of Rs.217.56 million had not been settled until 31May 2024.
- Under the supervision of the project consultants, Sri Lanka Cricket will settle the advances according to the physical and financial progress and after the completion of the work.
- After completing the work on the projects with the money given as advance, the physical and financial progress should be calculated and arrangements should be made to settle the advance.

### 3.2 Delayed projects

Audit Observation	Comments of the management	Recommendation
<p>(a) Although the Ministry of Sports and Youth Affairs had agreed to provide 21 acres of land to Diyagama for the construction of a fully equipped international cricket stadium with a minimum spectator capacity of 40,000 seats at an estimated cost of Rs.08 billion, until now, it was not possible to start the construction of the project due to the non-implementation of these activities. In the year 2020 the Sri Lanka Cricket had spent Rs.3.4 million before the legal transfer of the land and without entering into a Memorandum of Understanding between the concerned parties as the design and measurement fees of the project.</p>	<p>It was informed that the relevant land does not belong to the Ministry of Sports and Youth Affairs, however that it is owned by the Sri Lanka Broadcasting Corporation and inform that the necessary arrangements are being taken by the current Minister of Sports to sell the land to the Sri Lanka Cricket through a cabinet paper to settle the ownership of the land.</p>	<p>The administrative work should be done properly and the construction of the project should be commenced.</p>
<p>(b) It has been more than a year since the approval of the Government land of 17 hectares for the construction of the Polonnaruwa National Cricket Stadium and the main auditorium building to the Sri Lanka Cricket Institute for commercial activities under a 30-year lease basis through Gazette No. 2304 dated 28 October 2022. Although it had passed one year period of time, the related lease agreements had not been executed and the construction work of the auditorium had not been done. Construction cost Rs.154 million for the maintenance</p>	<p>Hikurakgoda Divisional Secretariat office delaying this work has also delayed the signing of tax agreements. The first match of this stadium will be played on 18 July 2024 and the stadium will be opened.</p>	<p>The administrative work should be done properly and arrangements should be made to start the construction of the project and to put the completed stadium into use.</p>

work and additional additions of the cricket stadium in the years 2022 and 2023, the total of Rs.27.5 million had been spent. However, the stadium was not put into use by the date of audit at 30 June 2024.

- (c) A land extent of 1 acre, 3 roods and 20.2 perches in the Kandy area was leased for Rs.26.5 million on a 30-year lease basis on 20 April 2017, for the Kandy High Technology Training Centre project proposed to be built by the Sri Lanka Cricket. The Sri Lanka Cricket had paid Rs.500,000 to evict a person who was residing on this land and the Sri Lanka Cricket had paid Rs.525,000 to a lawyer to establish a lease agreement for the land whose tenure was not settled under a situation where there was a discrepancy in the title deeds of the land. After the year 2021, no construction was done in this project and even though the land was leased for 6 years, however the construction was in the initial stage.
- Kandy was selected to build this centre as it was more accessible to the athletes, officials and academic staff. During the implementation of this project, we had to experience various crisis situations.
- While leasing land for projects, land should be selected that is clear of enjoyment and should be worked efficiently to achieve the desired objectives of the project.

### 3.3 Transactions in Contentious Nature

Audit Observation	Comments of the management	Recommendation
(a) Sri Lanka Cricket had recruited 44 coordinators at the provincial level on the approval of the executive board. During the year under review, Rs.65.98 million was paid to them as monthly allowances, festive and hardship allowances, reimbursement of transportation expenses.	Although coordinators are not assigned daily duties, daily performance of duties assigned to them at the beginning of the year is monitored through monthly reports. A monthly stipend is paid to reimburse the transportation expenses incurred while	The jobs to be performed on a daily basis should be identified and the staff of the institution should be employed to perform those jobs.

Instead of identifying and assigning tasks to these coordinators on a daily basis, only one or 02 tasks to be performed in a very short period of time have been assigned and without investigating the regular duty positions they hold, the above persons have been appointed and they have received services commensurate with the amount paid to them. It was not possible to determine during the audit whether it was taken.

performing the assigned tasks. We believe that the current payment is not enough for the time, fuel and vehicle maintenance they devote to the activities of Sri Lanka Cricket.

- (b) Already in the Puttalam District Cricket Association contrary to Rule 5(6) published by the Minister of Sports and Youth Affairs vide Special Gazette No. 2310/26 dated 14 December 2022 under Section 41 to be read with Section 31 of the Sports Act No. 25 of 1973 To a Member of Parliament who is also acting as President and Secretary of Sri Lanka Handball Federation Rs. 2.2 million allowance was paid during the year under review alone.

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The action should be taken in accordance with the directives issued under the Sports Act and the National Sports Associations.

### 3.4 Noncompliance with the Tax Policies

Audit Observation	Comments of the management	Recommendation
<p>According to the Inland Revenue Amendment Acts No. 10 of 2021 and No. 45 of 2022, it was stated that a 5 per cent withholding tax (WHT) deduction should be made when paying service fees to an independent service provider.</p> <p>The withholding tax was not deducted as per the above provisions on the contract money of approximately Rs.794.45 million paid by Sri Lanka Cricket to the cricketers during the year 2023 and on the fees paid to the cricket</p>	<p>As per the above Acts, the professionals employed by Sri Lanka Cricket on contract basis such as players, umpires, selectors, commentators, consultants and coordinators are subject to withholding tax, so I hereby inform that the above contract professionals are not subject to withholding tax.</p>	<p>Inquiries should be made to the Commissioner General of Inland Revenue to obtain his clarification or ascertain the existing obligations of the institution to deduct withholding tax on the above amounts.</p>



umpires, selectors, commentators and consultants.

In this regard, Sri Lanka Cricket had not inquired about the Commissioner General of Inland Revenue and obtained his clarification or confirmed the existing obligations of the institution to reduce the withholding tax on the above money.

Also, the payments of Rs.65.98 million paid to the coordinators in the year under review were not taxed accordingly.

### 3.5 Loss of Income

#### Audit Observation

#### Comments of the management

#### Recommendation

According to the agreement reached with ICC Business Corporation FZLLC due to the loss of hosting of the Under-19 World Cup which was scheduled to be held in Sri Lanka in the year 2024, loss of revenue amounting to USD. 2.46 million equivalent to Rs.787 million had been occurred to Sri Lanka Cricket. Due to this reason, the country had lost the foreign exchange income of around 700 hotel rooms that had been booked in the tourist resorts during the time when this World Cup was scheduled to be held, as well as the tourism benefits that could have been received through it.

Due to the malicious, arbitrary and illegal actions of the former Sports Minister, Sri Lanka Cricket has incurred a direct loss of US\$ 2.46 million by losing the hosting of the tournament.

The relevant parties should make sure that they do not lose the hosting of the tournaments to be held in Sri Lanka.

#### **4. Accountability and Good Governances**

##### **4.1 Corporate Plan**

<b>Audit Observation</b>	<b>Comments of the management</b>	<b>Recommendation</b>
As per Part III (XI) of the Association Orders issued by Extraordinary Gazette No. 1990/23 dated 27 October 2016, the Corporate plan prepared by Sri Lanka Cricket was not prepared on a cyclical basis. The time frames for the identified activities, the manner in which the funds will be financed and the expected costs were not included.	Actions have already been taken for the necessary improvements in the prepared corporate plan.	Actions should be taken to make necessary improvements in the Cooperate Plan.

##### **4.2 Annual Action Plane**

<b>Audit Observation</b>	<b>Comments of the management</b>	<b>Recommendation</b>
In 2023 Annual Action Plan prepared by Sri Lanka Cricket in accordance with Part III (XII) of the Association Orders issued by Extraordinary Gazette No. 1990/23 dated 27 October 2016, priority levels of activities were not identified and activities in the form of daily duties were not identified. It did not mention the expected expenditure and specific periods for carrying out the activities. No revisions were made in the annual action plan in line with the revised budget presented in the year 2023.	It is planned to get consulting services to make the necessary improvements to the action plan, where new matters to be included in the action plan will be included as per their recommendations.	The annual action plan should be used to achieve the desired objectives effectively.

### 4.3 Master Procurement Plan

<b>Audit Observation</b>	<b>Comments of the management</b>	<b>Recommendation</b>
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#### **Master Procurement Plan**

Since there was no section on "Master Procurement Plan" in the Procurement Manual of the Sri Lanka Cricket, the Master Procurement Plan was not prepared by applying the 2006 Government Procurement Guidelines.	The services of an international audit firm are already being engaged to improve and update the procurement guidelines, add new measures to make them more systematic and transparent.	A master procurement plan should be prepared.
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### 4.4 Procurement Plan

<b>Audit Observation</b>	<b>Comments of the management</b>	<b>Recommendation</b>
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The 2023 annual budget was revised once during the year, however the annual procurement plan was not revised simultaneously. The Executive Committee approval for the 2023 procurement plan was not submitted to the audit.	As mentioned by the audit, the necessary amendments were not made in the year 2023, and we will take steps to make the necessary amendments from the year 2024.	The Executive Committee approval should be obtained and the annual procurement plan should be revised concurrently for budget revisions.
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