

## **Sri Lanka Rugby - 2022**

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### **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 2022 comprising the statement of financial position as at 31 December 2022 and the statement of comprehensive income, statement of changes of equity 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. 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 2022, 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 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 Standard 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 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 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 it 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 judgement 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 Sri Lanka Rugby'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 Rugby'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 Rugby 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 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 Rugby, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Sri Lanka Rugby has complied with applicable written law, or other general or special directions issued by the governing body of the Sri Lanka Rugby;
- Whether the Sri Lanka Rugby has performed according to its powers, functions and duties; and
- Whether the resources of the Sri Lanka Rugby 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 Standards

Non-Compliance with the reference to particular Standard	Management Comment	Recommendation
(a) As per the Section 17:19 of the Sri Lanka Accounting Standard for Small and Medium Enterprises, the residual value, depreciating method or useful life of the fully depreciated property plant and equipment valued at Rs. 273,347, had not been revised.	Agreed	Should be Complied with accounting standards
(b) As per the Section 17.31 of Sri Lanka Accounting Standard for Small and Medium Enterprises, the depreciation rate was not disclosed in the financial statements even though the furniture and fixtures were depreciated at 10 per cent.	Agreed	The action should be taken to disclose the depreciation policy according to accounting standards.

### 1.5.2 Documentary Evidences not made available for Audit

Item	Amount RS.	Evidence not made available	Management Comment	Recommendation
(a) Expenditure	14,460,500	Payment vouchers and related documents	The action will be taken to submit the relevant vouchers for audit.	Arrangements should be made to submit the evidence mentioned before these items to the audit.
(b) Receivable Balances	15,827,184	Balance conformations	Sponsorship money included in these receivables had been received by the association in the year 2023.	

(c)	Payable balances	37,522,801	Balance conformations	There are a large number of items in the value to be paid in the year 2022 for the reservation. A related form have been submitted to your institution.
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#### 1.6 Non-Compliance With Laws, Rules, Regulations and Management Decisions etc

	<b>Reference to Laws, Rules, Regulations etc.</b>	<b>Non - Compliance</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a)	Amended Gazette No. 2166/09 dated 10 March 2020 for Clause (xv) of Part iii No. 07 of Regulation No. 1990/23 dated 27 October 2016 and Section 21.1(d) and 33.9 of the Sri Lanka Rugby Constitution.	Although the annual report should be tabled in its annual general meeting or a special general meeting, along with the audited financial statement related to the previous year and the auditor's report regarding the financial statement, the action had not been taken for the 2021 financial statements.	Agreed	The audited financial statements along with the Auditor General's report should be tabled in a general meeting without delay.
(b)	Paragraph 5,(4) (ඃ) of Part II of the Special Gazette No. 1990/23 dated 27 October 2016 of the Democratic Socialist Republic of Sri Lanka	Without proceeding according to the gazette announcement in the Rugby Institute election held on 27 August 2022, the former chairman had been nominated for the office election and became the chairman after being subjected to a restraining order on 22 June 2022.	It is not possible to express any further comments as the case is pending and no verdict has been received yet.	Associations should follow existing rules while appointing Committee members.
(c)	No. DSD/NSA/COM – 01/2021 and dated 17 December 2021 issued by the Director General of Sports in the Code of Guidelines on National Sports Associations			

(i) Section 3 (iii).	Although the number of official mobile bank accounts that can be maintained in a sports association is 02, four bank accounts were maintained without obtaining the approval of the Director General of Sports.	The action will be taken to obtain the permission of the Sports Director General of the Sports in the future, Development Department for the two additional accounts.	Arrangements should be made to obtain the necessary approvals.
(ii) Section 3.(xiv).	A inventory survey had not been conducted for inventory items amounting to Rs. 700,981 and fixed assets amounting to Rs. 3,707,087.	You have been given inventory survey reports in previous years. It had not been done as the institution has been closed by the Ministry.	Since the survey can be done now, arrangements should be made for it.
(d) Sections 16, 17 and 18 of the Sri Lanka Rugby Constitution	It was informed that the membership of Western and Uva Provincial Rugby Unions has been cancelled by the Sri Lanka Rugby Union. In spite of that, those associations had participated in the Rugby official election on 27 August 2022 and those associations had been given financial assistance of Rs. 100,000 for one and Rs. 200,000 for other on 29 December 2022.	That money has been given for the development of rugby in those provinces by the association for the advancement of rugby and the development of players.	Should be act in accordance with the constitution.

## 1.7. Accounts Receivable and Payable

### 1.7.1 Receivables

Audit Issue	Management Comment	Recommendation
A advances of Rs. 1,214,473 included in accounts receivable more than 06 years, had been given to 02 Provincial Associations for sports development activities had not been settled.	The action will be taken to settle the advances of these two unions in the year 2023.	The action should be taken to settle Overdue advances.

## 1.7.2 Payables

	<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a)	The action had not been taken to settle the balance of 1-2 years old included in accounts payable amounting to Rs. 3,534,382 and the more than three years old balance amounting to Rs. 31,154,768.	The association will work to settle this money in the future by organizing more tournaments and more sponsors will be found.	In order to settle the creditor balance, the existing obligations should be investigated and dealt with accordingly.
(b)	Employee Provident Fund Surcharge payable from the year 2020 of Rs. 53,000 and the employee compensation due from the year 2021 of Rs. 1,000,000 had not been settled in the year under review.	The workers' provident fund has already been paid by the institute and the gratuity has not been paid.	Arrangements should be made to pay the employee trust fund on the due date and also arrange to pay the workers' compensation due.

## 2. Financial Review

### 2.1 Financial Results

The operating result of the year under review was a deficit of Rs.3,810,997, whereas the surplus of the previous year was Rs.658,202. Accordingly in the financial result a deterioration of Rs. 4,469,199 was observed and the exchange loss of Rs.5,123,841 had mainly effect to this deterioration.

## 3. Operational Review

### 3.1 Management Inefficiencies

	<b>Audit issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a)	The action had not been taken to cancel and issue new 07 cheques aggregating to Rs. 45,000 issued more than 06 months.	Checks overdue by more than 6 months will be cancelled and reissued	The action should be taken to re issue checks or get into income.
(b)	Due to the prohibition order imposed by the Asian Rugby Union on the Sri Lanka Rugby Union on 22 June 2022, the Sri Lanka Rugby Union had to incur an expenditure of Rs.30,783,149 for the Asian men's and women's competition held in two countries in the year 2022 and this competition was not held under the national flag however under the Olympic flag	Cannot give comments as this is under investigation.	Should take the sponsorship of the Asian Sports Association and participate for international competitions.

### 3.2 Operating inefficiencies

Audit issue	Management Comment	Recommendation
Due to non-provision of stock considering the requirement, there was a stock of Rs.147,185 which was more than five years old as at 31December 2022.	In the future, the action will be taken get the approval in an annual council meeting and distribute it in the year 2023.	Purchase should be made as per requirement.