

## **Sri Lanka Cricket (SLC) - 2017**

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The audit of financial statements of the Sri Lanka Cricket (“the SLC”) for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 and the statement of comprehensive income and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory 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 the Sports Act, No. 25 of 1973 as amended by Sports (Amendment) Act, No. 47 of 1993. My comments and observations of the performance of the SLC which I consider should be presented to the parliament in terms of Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka appear in this report.

### **1.2 Executive Committee’s Responsibility for the Financial Statements**

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The Executive Committee is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards for Small and Medium - sized Entities (SLFRS for SMEs) and for such internal control as the Executive Committee determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

### **1.3 Auditor’s Responsibility**

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My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessment, the auditor considers internal control relevant to the Sri Lanka Cricket’s preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Executive Committee, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **1.4 Basis for Qualified Opinion**

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(a) **Sri Lanka Accounting Standards for Small and Medium - sized Entities (SLFRS for SMEs)**

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Statement of changes in equity/ net assets for the reporting period had not been submitted together with the financial statements in terms of Sub - section 3.17(c) of the SLFRs for SMEs.

(b) **Accounting Deficiencies**

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- (i) The value of Rs. 2,213,944,841 shown under Other Venue Creditors consists of an amount to be paid to the Sri Lanka Ports Authority with regard to the construction of Mahinda Rajapakshe International Cricket Stadium. However, this liability has not been confirmed by the Sri Lanka Ports Authority and as per Note No.28 to the financial statements, the whole liability has been undertaken by the Government of Sri Lanka. Therefore, the existence and the accuracy of the said liability could not be ensured in audit.
- (ii) Advance payments aggregating Rs.19,046,757 made in respect of construction and improvement of local grounds and international cricket stadiums were laying in the advance account for more than 5 years without being adjusted the respective accounts.
- (iii) Refundable deposits received during the period of 2006 to 2014 amounting to Rs.1,002,380 in respect of playground hiring had been shown in the financial statements as liability without being settled/adjusted the accounts after making proper inquiries.
- (iv) Advances for tournaments amounting to Rs.58,269,995 given to the Cricket Associations during the period from 2008 to 2017 had been continuously brought forwarded in the financial statements without being get settled. Hence, the financial results of the above period had been overstated by respective amount.
- (v) Receivable sponsorship income amounting to Rs.13,011,943 was remained as unrealized income for over five years without being recovered or adjusted in the financial statements.

(c) **Receivables and Payables**

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As per the financial statements for the year under review, the amount payable to the State Engineering Corporation (SEC) was Rs 258,347,662. However, according to the confirmation received from SEC it was Rs.334, 368,499. Therefore, the reliability and accuracy of the amount payable to the SEC as at the end of the year under review could not be ensured in audit.

**(d) Lack of evidence for Audit**  
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- (i) Fixed Assets Register and the Physical Verification Reports for the previous few years and the year under review were not made available for audit.
- (ii) Schedules and confirmations from the Department of Inland Revenue with regard to Value Added Tax receivable amounting to Rs.176, 750,997 were not made available for audit.
- (iii) Contract agreements, letter of acceptance, commencement and completion dates relating to the Work in Progress valued at Rs. 240,986,347 were not made available for audit as supporting documents to verify the accuracy of the amount shown in the financial statements.
- (iv) Un-identified balance of Rs. 5,845,788 was carried forward from the year prior to 2013 under the current assets as other advances and it was remained unsettled even up to 31 December 2017. Therefore existence and accuracy of the above unidentified balance could not be verified in audit.

**2. Financial Statements**  
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**2.1 Qualified Opinion**  
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In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of the Sri Lanka Cricket as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards for Small and Medium - sized Entities (SLFRS for SMEs)

**3. Financial Review**  
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**3.1 Financial Result**  
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According to the financial statements presented, the operations of the Sri Lanka Cricket for the year ended 31 December 2017 had resulted a surplus of Rs. 2,128,044,081 as compared with the corresponding surplus of Rs. 63,962,186 for the preceding year, this indicating an improvement of Rs.2,064,081,895 in the financial result. The increase of income from International Cricket by Rs.2,879,626,868 had mainly affected to this improvement.

**4. Operational Review**  
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**4.1 Performance**  
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As per the cricket ranking of the International Cricket Council’s (ICC) for all three formats, information relating to the Sri Lankan team are as follows.

<b>Year</b> -----	<b>Test Rank</b> -----	<b>ODI Rank</b> -----	<b>T20 Rank</b> -----
2017	7	6	8
2016	7	5	8
2015	7	5	1
2014	6	2	1
2013	6	6	1

According to the ICC Ranking Sri Lanka National Cricket Team’s performance has declined in the year 2017 comparing with previous four years.

**4.2 Management Activities**  
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Action had not been taken during the year under review to recover the staff loan balance of Rs.1,080,825 which should be recovered from 17 officers.

**5. System and Controls**  
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Deficiencies in systems and controls observed during the course of audit were brought to the notice of the President of the Sri Lanka Cricket from time to time. Special attention is needed in respect of the following areas of control.

<b>Areas of System and Control</b> -----	<b>Observations</b> -----
(a) Payment of Advances	Failure in control and supervision of advances
(b) Assets Management	Failure in maintaining a Register of Fixed Assets and conducting a survey on fixed assets.
(c) Financial Control	Carrying out money transfers between current accounts without control.