

Sri Lanka Rugby – 2018

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Rugby (“Sri Lanka Rugby”) for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 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 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 No19 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 2018, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified 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. 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 Generally Accepted Accounting Principles, 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 intends 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 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 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 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 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 Financial Statements

1.5.1 Documentary Evidences not made available for Audit

Item	Amount Rs.	Evidence available	not	Management Comment	Recommendation
(a) Receivable from the Sri Lanka Schools Rugby Football Association	17,492,313	A written agreement or any other supporting documents		Noted down and action will be taken to correct this issue in future.	The documents relating to receivable should be adequately furnished to audit in order to verify the balance.
(b) Receivables	23,543,737	Confirmation of balances		Noted down and action will be taken to correct this issue in future.	The confirmation of receivable should be furnished to audit in order to verify the balance.
(c) Payables	16,047,113	Confirmation of balances		Noted down and action will be taken to correct this issue in future.	The confirmation relating to payable should be furnished to audit adequately
(d) Property, Plant and Equipment	7,121,662	Physical verification report		Noted down Action will be taken to do physical verification of assets in future.	The physical verification for property plant and equipment should be done and report should be furnished to audit.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Issue

Action had not been taken to recover the 04 receivable balances aggregating to Rs.218,533 remimed outstanding for over 05 years and other balances totalling Rs.18,974,324 that remained outstanding for over 02 years as at 31 December 2018.

Management Comment

Noted down and action will be taken to submit in the executive council and take necessary action in the future.

Recommendation

Prompt action should be taken to collect receivable from the external parties.

1.6.2 Payables

Audit Issue

Action had not been taken to settle 07 payable balances aggregating to Rs.13,497,205 existing for over one year and a balance amounting to Rs.2,603,175 that remained as unsettled for over 02 years.

Management Comment

Noted down and necessary action will be taken to settle in the future after sufficient funds are received.

Recommendation

Prompt action should be taken to settle the payables of external parties periodically.

1.6.3 Advances

Audit Issue

Sums of Rs.1, 109,470, Rs.1, 617,242 and Rs.2, 938,937 in the years 2016, 2017 and 2018 had been respectively given to the provincial rugby union as advances in order to develop the rugby. However, those advances had not been settled even up to end of May 2019.

Management Comment

Action will be taken to settle the advances within the year 2019.

Recommendation

Prompt action should be taken to settle the advances.

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

Reference to Laws, Rules Regulations etc.

Non-compliance

Management Comment

Recommendation

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| (a) | F.R 396 (d) of Financial Regulations of the Democratic Socialist | Action had not been taken with regard to five outstanding | Action will be taken to cancel these outstanding | Prompt action should be taken for outstanding for over |
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Republic of Sri Lanka.	cheques for over six months amounting to Rs.192,000.	cheques immediately.	six months cheques.
(b) Section 4.2 of the Government Procurement Guideline 2006.	A procurement plan had not been prepared for the year 2018.	Action will be taken to prepare the procurement plan with in the year 2019.	A procurement plan should be prepared in terms of Public Procurement Guideline 2006.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs. 28,672,002 and the corresponding deficit in the preceding year amounted to Rs.14,559,671. Therefore, a deterioration amounting to Rs.14,112,331 of the financial result was observed. Decrease of income and other operating expenses by Rs.27,012,067 and Rs.11,102,743 respectively had mainly attributed for this deterioration.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue

According to Section 14.1(j) and (k) of the Constitution of the Sri Lanka Rugby, the Members of Sri Lanka Rugby including the National Schools and Provincial Schools Rugby Football Association, Sri Lanka University Sports Association, Sri Lanka Society of Rugby Football Referees and Provincial Rugby Football Clubs of Sri Lanka should submit the financial statements certified by a Chartered Accountant within 45 days after the closure of each financial year. Furthermore, other documents including bio-data of office bearers and committee members of every elected office, certified copy of the minutes and the attendance sheet of the relevant Annual General Meeting, certified copy of the audited financial statements and to prove that such audited financial statements had been adopted at their

Management Comment

Necessary action will be taken to resolve this in 2019.

Recommendation

Prompt action should be taken interms of the constitution of Sri Lanka Rugby

Annual General Meeting and list of their members, details of tournaments and other programs one month prior to the date of Annual General Meeting of Sri Lanka Rugby should also be submitted. However, Sri Lanka Rugby had not taken any action to compliance with these requirements.

3.2 Idle or underutilized Property, Plant and Equipment

Audit Issue	Management Comment	Recommendation
The sports equipment and sports wears, in 13 categories valued at Rs.85,633 and Rs.108,738 had been kept in idle for 02 years and 04 years respectively	Action will be taken for the idle inventories.	Prompt action should be taken to manage the stock.

3.3 Human Resources Management

Audit Issue	Management Comment	Recommendation
An approved scheme for recruitment and cadre had not been available for the Sri Lanka Rugby.	Action will be taken to prepare the approved scheme for recruitment and cadre in future	An approved scheme for recruitment and cadre should be prepared for effective human resource management.