

Sri Lanka Rugby - 2020

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 2020 comprising the statement of financial position as at 31 December 2020 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 2020, and of 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).

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 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 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 Audit Observations on the preparation of Financial Statements

1.5.1 Going Concern of the organization

Audit Issue	Management Comment	Recommendation
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The accumulated fund of the Sri Lanka Rugby had been deteriorated since last four years period by Rs.56.8 million. Compared to the total assets of the year under review, the negative balance of the accumulated fund was 297 per cent. It was observed that this situation may badly affect to the going concern of the Sri Lanka Rugby. However, the Executive Committee had not considered this situation in order to take remedial actions.	Noted. Necessary action will be taken in future.	Executive committee should be consider the situation and remedial action should be taken to resolve this matter.

1.5.2 Documentary Evidence not made available for Audit

Item available	Amount	Evidence not made available	Management Comment	Recommendation
	Rs.			
Receivables	247,910	Balance Confirmations	Action will be taken to rectify in future	Adequate and suitable audit evidence relating to the assets and liabilities should be furnished.
Payable	4,821,935	Balance Confirmations		
Inventory	706,180	Physical verification reports		

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Issue

Action had not been taken to recover the seven receivable balances aggregating to Rs.4,442,470 remained outstanding for more than one year and another balances totaling Rs.214,523 that remained outstanding for more than three years as at 31 December 2020.

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 forty-one payable balances aggregating to Rs.4,969,450 existing for more than one year and amounting to Rs.24,258,241 that remained as unsettled for more than three 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.

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

Reference to laws, Rules, Regulation and Directions issued by the governing body	Non-compliance	Management Comment	Recommendation
(a) Section 4.2 of Government Procurement Guideline 2006.	A procurement plan had not been prepared for the year 2020.	Action will be taken to prepare the procurement plan with in the year 2020.	A procurement plan should be prepared in terms of Public Procurement Guideline 2006.
(b) Section 7 (xii) of the National Sports Association Regulation No 01 of 2016.	Action plan had not been submitted to the Director General of Department of Sports Development for approval three month before the commencement of the year	Action will be taken to rectify in next year.	Action plan should be submitted in terms of National Sports Association regulation No.01 of 2016.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs. 8,741,462 and the corresponding deficit in the preceding year amounted to Rs.4,860,940. Therefore, a deterioration amounting to Rs.3,880,522 of the financial result was observed. The reason for the deterioration is increase the expenditure by Rs.16,421,456.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
(a) The Sri Lanka Rugby had been paid a sum of Rs.1,313,722 as interest due to delay in payment of Rs.7,725,448 to the Private Institution.	Due to the ongoing Covid 19 pandemic, there are no tournament played at present. Therefore, the Sponsors too have pulled out and SLR has been going through some financial difficulties at present. We are also not in a	Necessary action should be taken to resolve this issue in future period.

position to meet our Administration cost as SLR, which includes staff salaries too. Due to the above reason, we were not in a position to pay our creditors on time and our committee is trying their best to find new sponsors and regularize to improve the current financial situation.

- (b) 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 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.

Necessary action will be taken to resolve this in 2021.

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

3.2 Human Resources Management

Audit Issue

An approved scheme for recruitment and cadre had not been available for the Sri Lanka Rugby.

Management Comment

Action will be taken to prepare the approved scheme for recruitment and cadre in future

Recommendation

An approved scheme for recruitment and cadre should be prepared for effective human resource management.