

## **National Olympic Committee of Sri Lanka - 2021**

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### **1. Financial Statements**

#### **1.1 Opinion**

The audit of the financial statements of the National Olympic Committee of Sri Lanka (“Committee”) for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021, statement of comprehensive income, statement of changes in funds and reserves 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 No19 of 2018. My comments and observations which I consider should be report to the Parliament appear in this report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the National Olympic Committee of Sri Lanka as at 31 December 2021, 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 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 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 National Olympic Committee of Sri Lanka’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 National Olympic Committee of Sri Lanka or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the National Olympic Committee of Sri Lanka’s financial reporting process.

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

#### **1.4 Scope of Audit**

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 Committee'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 Committee'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 Committee 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 Committee, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Committee has complied with applicable written law, or other general or special directions issued by the governing body of the Committee;
- Whether the Committee has performed according to its powers, functions and duties; and
- Whether the resources of the Committee had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## 2. Financial Review

### 2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.14,920,228 and the corresponding surplus in the preceding year amounted to Rs.19,329,390. Therefore, deterioration amounting to Rs.4,409,162 of the financial result was observed. The main reason for this deterioration was the increase of the activity expenditure by Rs.46,700,534 during the year.

## 3. Operational Review

### 3.1 Management Inefficiencies

<b>Audit Issue</b> -----	<b>Management Comment</b> -----	<b>Recommendation</b> -----
(a) Accounts Receivable from two national sports federations aggregating to Rs.986,847 were remained outstanding for over two years without being recovered.	We are making every effort to recover this balance or deduct it from the Annual grant from both federations. If we cannot recover will make a provision or write off the amount in the current year.	Prompt action should be taken to recover accounts receivable balances.
(b) Three refundable deposits balance aggregating to Rs.435,374 were remained outstanding for over four years without being settled.	Noted, this has been outstanding over 4 years. we will make the necessary adjustment in the current year.	Prompt action should be taken to settle the balance.

### 3.2 Under-Utilization of funds

<b>Audit Issue</b> -----	<b>Management Comment</b> -----	<b>Recommendation</b> -----
(a) The International Olympic Committee had given an amount of RS. 4.5 million to the	The fund was received for future sports developments in December 2021. Due to covid	Action should be taken to utilize the fund for the purpose

National Olympic Committee of Sri Lanka during the year under review for the purpose of preparing and developing athletes for their sports. However the Committee shown it as differed income in the financial statements without being used for the above purpose.

and the economic crisis, we are yet using these funds and we are in the process of finding suitable projects. We are in the process of analyzing data for funding athletes according to the federation's recommendation.

of preparing and developing athletes for their sports.

(b) At the end of the South Asian Games in 2019, Nepal Olympic Committee had given an amount of Rs.13.1 million to the National Olympic Committee of Sri Lanka as the marketing Share of the 13<sup>th</sup> South Asian Games. Even though more than two years have passed since the money was received, the above marketing share had not been utilized for any kind of Sports Developing Programme by the National Olympic Committee of Sri Lanka.

The funds received were kept as differed incomes as we were planning to use it for a specific program. All programs had to be differed with the Covid 19 and later the economic crisis hampering all the movements. In the event we do not use these funds for a specific program, it is our intention to write this back to the general income if we are to prevent any Audit queries.

Action should be taken to utilize the fund for any kind of Sports Developing Programme.

### 3.3 Human Resources Management

Audit Issue -----	Management Comment -----	Recommendation -----
A proper Scheme of Recruitment of staff for the Committee had not been prepared.	NOCSL has been managing its staff cadre very carefully to run in a productive manner.	A scheme for recruitments should be prepared and get approval in order to conduct effective human resource management system.

## 4. Accountability and Good Governance

### 4.1 Corporate Plan

Audit Issue -----	Management Comment -----	Recommendation -----
The Corporate Plan had not been prepared by the Committee.	We too are an organization that is not performing commercial	Prompt action should be taken to prepare the

activities on a profit basis and that too operates on our annual budgets /estimates based on the funds that are getting committed for the coming year.

Corporate Plan consisting the future direction of the Committee.

#### 4.2 Annual Action Plan

<b>Audit Issue</b> -----	<b>Management Comment</b> -----	<b>Recommendation</b> -----
An approved action plan including the achievable target and goals during the stipulated time period for the year 2021 had not been prepared by the committee.	We are not governed under Public Finance Circular 01/2014. However, a detailed budget that consists of all the actions for the year is approved before the year begins and EXCO used this as the target for all activities to be carried out from SLNOC. We have a detailed budget with all the action items.	Prompt action should be taken to prepare the Action Plan of the Committee.