

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the National Olympic Committee of Sri Lanka (“NOCSL”) for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the 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 material accounting policy 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 provisions of the National Audit Act, No.19 of 2018. My comments and observations which I consider should be reported 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 NOCSL as at 31 December 2024, 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 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 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 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 misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the NOCSL’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 NOCSL or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the NOCSL’s financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the NOCSL of 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 NOCSL.

#### **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 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 NOCSL'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 NOCSL'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 NOCSL 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 NOCSL, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the NOCSL has complied with applicable written law, or other general or special directions issued by the governing body of the NOCSL;
- Whether the NOCSL has performed according to its powers, functions and duties; and
- Whether the resources of the NOCSL 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 Standard for Small and Medium – sized Entities ( SLFRS for SMEs )**

	<b>Non Compliance with the reference to particular Standard</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a)	According to the financial statements, legal expenses incurred during the year under review were Rs. 11,091,325. However, details of the related legal cases had not been disclosed in the financial statements as required by paragraphs 21.15 and 21.16 of the SLFRS for SMEs.	We will make a special note about this in future and include such a note in Financial Statements.	Adhere to the SLFRS for SMEs.
(b)	Audit test checks revealed that the value of the transactions had been carried out with member sports associations and federations registered under NOCSL during the year under review was Rs. 42,560,616. However, the required disclosures relating to related party transactions, as stipulated in paragraph 33.9 of the SLFRS for SMEs, had not been made in the financial statements.	The payments made to the NOCSL's sports associations and federations were not specifically mentioned as related party transactions. A special note can be added for that.	Adhere to the SLFRS for SMEs.

## 1.5.2 Accounting Deficiencies

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
Property, Plant and Equipment (PPE) valued at Rs. 1,476,600, purchased during the years 2020 and 2021, had not been recognized in the financial statements even up to the year under review. Further, no asset verification had been carried out to confirm the physical existence of these assets.	The cost of goods purchased under the projects (including fixed assets) has been credited to the relevant project account.	The NOCSL should take immediate action to identify, verify, and recognize all unrecorded Property, Plant and Equipment in the financial statements.

## 1.5.3 Unreconciled Control Accounts or Records

<b>Item</b>	<b>As per Financial Statements Rs.</b>	<b>As per the corresponding Record Rs.</b>	<b>Difference Rs.</b>	<b>Management Comment</b>	<b>Recommendation</b>
Payables	23,760,635	31,008,914	7,248,279	Explanations for the differences were not made available.	Action should be taken to reconcile payable accounts.

## 1.6 Accounts Receivables and Payables

### 1.6.1 Receivables

<b>Audit Issue</b>	<b>Management comment</b>	<b>Recommendation</b>
Out of total receivables amounting to Rs. 25,009,172 as at 31 December 2024, a sum of Rs. 5,118,746 had remained unrecovered up to the date of this report. Further, no effective recovery measures had been taken to recover these outstanding balances.	A document explaining the remained outstanding receivables was not made available.	The NOCSL should be recovered receivables without further delay.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
Prevention of Offenses Relating to Sports Act, No. 24 of 2019	The NOC had not maintained records regarding unlawful activities committed by athletes and officials who participating in foreign competitions. Further, details of the actions taken by the NOC against such activities were also not submitted to the audit	We hope to prepare a report similar to the one you requested in the future.	Comply with sports regulations.

## 2. Financial Review

### 2.1 Financial Result

The operating result for the year under review amounted to a deficit of Rs. 44,942,548 and the corresponding surplus in the preceding year amounted to Rs. 11,813,606 Therefore, a severe deterioration amounting to Rs. 56,756,154 in the financial result was observed. The main reason for this deterioration was decrease in total income by Rs.83,013,052 as compared to the previous year.

### 2.2 Trend Analysis of major Income and Expenditure items

Analysis of major income and expenditure items of the year under review compared with that of the preceding year and the percentages of increase or decrease are shown below.

Description	Year ended 31 December 2024	Year ended 31 December 2023	Difference (favorable / (adverse))	Percentage
	Rs.	Rs.	Rs.	%
<b><u>Income</u></b>				
Subsidies received from IOC, OCA and others	58,973,650	77,273,996	(18,300,346)	23.68
Interest Income	14,497,825	20,500,384	(6,002,559)	29.28
Rental Income	9,272,975	14,874,550	(5,601,575)	37.66
Project Income	93,553,161	145,546,350	(51,993,189)	35.72
Other Income	5,052,707	6,168,090	(1,115,383)	18
<b><u>Expenses</u></b>				

Activity Expenses	109,814,569	160,077,891	50,263,322	31.39
Administrative Expenses	51,835,915	47,204,980	(4,630,935)	9.81
Legal Fees	11,091,325	-	(11,091,325)	100
Other Expenses	53,551,057	45,266,893	(8,284,164)	18.30

The following observation is made in this connection.

The subsidies received from international bodies decreased by Rs. 18.3 million or 23.68%, which may indicate reduced external funding support or delays in disbursements. Similarly, a significant decrease was observed in project income, which fell by Rs. 51.99 million or 35.72%, raising concerns regarding the scale, continuity, or funding of projects undertaken during the year.

### 3. Operational Review

#### 3.1 Management Inefficiencies

	<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a)	The NOCSL had entered into a lease agreement with a private company on 01 November 2022 to lease out its restaurant premises for a period of two years at a monthly rental of Rs. 750,000, without obtaining a key money from the lessee and lease rentals amounting to Rs. 9,051,979 had not been recovered up to the date of this report. Further, the restaurant had been closed from April 2023 and had not been utilized thereafter. The failure to recover outstanding rentals and effective utilization of the property indicates weaknesses in management.	Comments had not been received	Immediate action should be taken to recover outstanding rentals and utilization of the property effectively.
(b)	In compliance with the applicable regulatory and governance framework, two (02) sports organizations that had not been registered as National Sports Federations or Associations to the Department of Sports Development had been treated as members of the NOCSL.	These associations may attend the Annual General Meeting and special meetings at an observation level and shall not be entitled to vote at any time.	Comply with the governance framework.

- (c) It was observed that payments aggregating Rs. 19,964,733 had been made for various activities only on the authorization and certification of the Treasurer, without obtaining authorization and certification of two Executive Committee members. Therefore, these payments were observed as unauthorized transactions.
- The Treasurer is the highest officer in charge of the organization's finances, as there is no need for second approval.
- Adhere to the approved financial procedures.

### 3.2 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
<p>(a) According to the 2024 National Sports Calendar issued by the Ministry of Sports and Youth Affairs, it had been planned to conduct 07 international competitions, 14 national competitions, and 13 local activities during the year under review. However, 05 international competitions, 02 national competitions, and 11 local activities had not been conducted as planned. Additionally, the NOCSL had participated in 01 international competition, 03 national competitions, and 05 local activities that were not included in the sports calendar.</p>	<p>The annual sports calendar issued by the Ministry of Sports and Youth Affairs is not carried out by the National Olympic Committee.</p>	<p>Adhere to the National Sports Calendar issued by the Ministry of Sports and Youth Affairs.</p>
<p>(b) Five (05) bank accounts with a total balance of Rs. 9,197,892 had remained inactive for over five years. However, no action had been taken to activate these accounts to utilize the funds effectively or to close these accounts even up to the date of this report.</p>	<p>Action will be taken to close those accounts in the future after examining the operational status of the relevant project.</p>	<p>Bank balances should be utilized effectively.</p>