

### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of Sri Lanka Rugby 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 equity 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 and Section 21 A of Sports Law, No. 25 of 1973 as amended by Section 9 of the Sports (Amendment) Act, No.47 of 1993. 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 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 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 intend 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 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 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 had 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 Non-compliance with Sri Lanka Accounting Standards for Small and Medium sized Entities (SLFRS for SMEs).

| Non Compliance with the reference to particular Standard  | Management Comment              | Recommendation                                    |
|---|---------------------------------|---|
| In accordance with paragraph 17.19 of Sri Lanka Accounting Standards for Small and Medium-sized Entities, if residual value or useful life of an asset has changed at the reporting date, it should be reviewed annually and make necessary adjustments in the accounts accordingly. However, the Sri Lanka Rugby had not taken such action with regard to fully depreciated assets valued at Rs.1,867,949. | This Will be corrected in 2025. | The Entity should be adhered with SLFRS for SMEs. |

### 1.5.2 Accounting Deficiencies

| Audit Issue  | Management Comment            | Recommendation   |
|--|-------------------------------|--|
| A sum of Rs.8,775,000 granted by the Sri Lanka Cricket to the Sri Lanka Rugby during the year under review had not been accounted in the financial statements. As a result, the income shown in the financial statements had been understated by the similar amount. | Action will be taken in 2025. | All grants should be recognized in the financial statements correctly. |

### 1.5.3 Going Concern of the Organization

| Audit Issue   | Management Comment  | Recommendation  |
|---|---|---|
| The total current liabilities of the Sri Lanka Rugby had exceeded its total current assets by Rs.28,203,944 and the total liabilities had | The reason for this was the Corona pandemic and the lack of a executive | The going concern of the Federation should be ensured and |

exceeded its total assets by Rs. 27,495,339 as at the end of the year under review. Further, the negative balance of the accumulated fund was 1.6 times of the total assets. Although this situation had raised an uncertainty to the going concern of the Sri Lanka Rugby, it had not been disclosed in the financial statements.

committee during that disclosed in the financial statements. However, an executive committee has been appointed now and steps have been taken to rectify this situation.

## 1.6 Accounts Receivable and Payable

### 1.6.1 Payables

| Audit Issue  | Management Comment                    | Recommendation  |
|--|---------------------------------------|---|
| Out of total payable balance of Rs.39,561,761 as at 31 December 2024, a sum of Rs.33,137,047 had remained unsettled over 05 years. | This will be rectified in the future. | Prompt action should be taken to settle the payables. |

### 1.6.2 Advances

| Audit Issue   | Management Comment                    | Recommendation  |
|---|---------------------------------------|---|
| Total advances amounting to Rs.4,854,036 given to 08 Provincial Associations had not been settled even as at the date of this report. Out of this, a sum of Rs.1,266,258 had remained as unsettled over 05 years. | This will be rectified in the future. | Prompt action should be taken to get 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   |
|---|--|--|--|
| (a) Section 16 of the Employees' Provident Fund Act, No. 15 of 1958 and Section 16(1) of the Employees' Trust Fund Act, No. 46 of 1980. | The contribution to the Employees' Provident Fund should be remitted before the last day of the following month. However, the contributions for the years 2021, 2022 and 2023 amounting to Rs.380,501, Rs.345,400 and Rs.305,400 respectively had not been remitted even as at the date of this report. Further, the Sri Lanka Rugby had failed to remit the contribution to the | Steps will be taken to prevent such a situation in the future. | Action to be taken to comply with the provisions of the Act. |

Employees' Trust Fund in stipulated dates. As a result, a surcharge amounting to Rs.61,860 had been imposed during the year under review.

(b) Part III of the National Associations of Sports Regulations No. 01 of 2024, published in the Extraordinary Gazette No.2382/32 dated 03 May 2024

|                  |   |   |  |
|------------------|---|---|--|
| (i) Section 6(i) | A progress report had not been prepared to evaluate the development and promotion of the Rugby sport in each province of the country. | This report will be provided in the future. | Sports Regulations should be followed. |
|------------------|---|---|--|

|                     |  |   |  |
|---------------------|--|---|--|
| (ii) Section 6(xii) | An action plan had not been prepared by the Sri Lanka Rugby for the year under review. | This report will be provided in the future. | Sports Regulations should be followed. |
|---------------------|--|---|--|

(c) Guidelines related to the activities of National Sports Associations/ Federation dated 15 December 2021 issued by the Director General of Sports.

|                    |   |  |  |
|--------------------|---|--|--|
| (i) Section 3(iii) | Sri Lanka Rugby had maintained four (04) bank accounts without obtaining required approval from the Director General of the Department of Sports Development. | The relevant accounts will be closed in 2025 with the approval of executive committee. | Provisions of the Guidelines should be followed. |
|--------------------|---|--|--|

|                     |  |                            |  |
|---------------------|--|----------------------------|--|
| (ii) Section 3(xiv) | Board of Survey had not been carried out for the fixed assets and inventory valued at Rs.9,699,681 and Rs.700,981 respectively as at 31 December 2024. | This will be done in 2025. | Provisions of the Guidelines should be followed. |
|---------------------|--|----------------------------|--|

## 2. Financial Review

### 2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.12,869,960 and the deficit against this in the preceding year amounted to Rs.4,456,249. Therefore, an improvement amounting to Rs.17,326,209 of the financial result was observed. The main reason attributed for the improvement is increase of World Rugby grant by Rs.28,374,202 with compared to the previous year.

### 2.2 Trend Analysis of Major Income and Expenditure Items

The main items of income and expenditure in the year under review, compared with the previous year and analyzed with percentages of increases or decreases are shown below.

| Description              | Value as at 31<br>December 2024 | Value as at 31<br>December 2023 | Variations               |            |
|--------------------------|---------------------------------|---------------------------------|--------------------------|------------|
|                          |                                 |                                 | Favourable/<br>(Adverse) | Percentage |
|                          | Rs.                             | Rs.                             | Rs.                      | %          |
| <b>Income</b>            |                                 |                                 |                          |            |
| Sponsorship              | 38,223,722                      | 33,186,014                      | 5,037,708                | 15         |
| World Rugby Grant        | 30,822,013                      | 2,447,811                       | 28,374,202               | 1159       |
| Other Income             | 1,410,456                       | 808,747                         | 601,709                  | 74         |
| Foreign Exchange Gain    | 920,435                         | 726,543                         | 193,892                  | 27         |
| <b>Expenditure</b>       |                                 |                                 |                          |            |
| Rugby Activity Expenses  | 45,265,125                      | 29,966,627                      | (15,298,498)             | 51         |
| Administration Expenses  | 13,232,681                      | 11,528,260                      | (1,704,421)              | 15         |
| Other Operating Expenses | 8,860                           | 130,477                         | 121,617                  | 93         |

The following observation is made in this connection.

The total income for the year under review had been increased by Rs.34,207,511 and the expenditure has increased by Rs.16,881,302 with compared to the previous year.

## 3. Operational Review

### 3.1 Management Inefficiencies

|     | Audit Issue  | Management Comment              | Recommendation  |
|-----|--|---------------------------------|---|
| (a) | Although Sri Lanka Rugby should comply with the rules and regulations issued by the World Rugby from time to time, Sri Lanka Rugby had failed to comply with them. As a result, a sum of £50,000 | Comments had not been received. | Sri Lanka Rugby should be comply with the rules and regulations issued by |

fine had been imposed by the World Rugby during the year 2017. Out of that, £40,000 which worth to Rs.5,255,621 had been paid to the World Rugby. Nevertheless, no action had been taken against the responsible persons who failed to comply with the above rules and regulations.

the World Rugby.

- (b) The registration of the Sri Lanka Rugby was temporarily suspended as per the notice published in the Extraordinary Gazette No. 2386/08 dated 29 May 2024. As a result, it was observed that 24 local sports tournaments and 04 international tournaments scheduled to be held during the year 2024 could not been held as planned.

Agreed.

Steps should be taken to prevent the suspension of the Sri Lanka Rugby in future.