

Sri Lanka Cricket - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Cricket (“Sri Lanka Cricket”) for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the income statement, statement of changes in accumulated fund and statement of cash flows 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(1) 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 Cricket 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 Standards.

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, 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 Cricket’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 Cricket or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Sri Lanka Cricket’s financial reporting process.

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

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 skepticism 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 Cricket'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 Cricket'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 Cricket 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 Cricket, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Sri Lanka Cricket has complied with applicable written law, or other general or special directions issued by the governing body of the Sri Lanka Cricket;
- Whether the Sri Lanka Cricket has performed according to its powers, functions and duties; and
- Whether the resources of the Sri Lanka Cricket 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 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
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(a) Four projects which had been commenced in the years 2014 and 2015 valued at Rs.47,438,675 and the construction works had been awarded to the Central Engineering Consultancy Bureau had to be abandoned due to not obtaining of necessary approvals from the local authorities and the Urban Development Authority as required. However, value of those abandoned projects had still been shown in the financial statements as work-in-progress without being made necessary adjustments. As a result, the value of the work-in-progress as at end of the year under review had been overstated by Rs.47,438,675.	This represents four differed projects which have not been completed as of the year under review. Hence, total balance reflects in the capital work in progress until we conclude the next course of action based on the final recommendation of the appointed expert technical committee. We have taken necessary steps to recover the realizable value of the projects.	Action should be taken to rectify the non-compliances and to make necessary adjustments in the financial statements.
(b) In order to make contribution to the development of Sri Lankan Cricket, the Sri Lanka Cricket has implemented cricket ground development activities every year throughout the country by incurring necessary expenditure directly and providing grants to the Regional Associations. However, an accounting policy for accounting of	We did not disclose the grants which were given to sports association as a separate balance in the financial statements as it is not a mandatory reporting requirement. However, as per the suggestion we will refer this to our consultants and the Financial Advisory Committee and act accordingly.	Action should be taken to make necessary disclosures and adjustments in the financial statements.

those cricket ground development expenses had not been introduced by the Sri Lanka Cricket. As a result, construction advances given for nine projects which directly conducted by the Sri Lanka Cricket amounting to Rs. 93,553,954 and the grants given to the Cricket Associations for the six construction projects amounting to Rs.89,828,319 had been shown in the financial statements as advances instead of being identified those advances as capital work-in-progress and grants separately.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Issue	Management Comment	Recommendation
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(a) Withholding Tax Receivables and VAT receivable aggregating to Rs.38,229,740 and Rs.261,376,152 respectively were remained outstanding for a period ranging from over 2 to 5 years without being recovered or adjusted in the financial statements.	We are taking all necessary steps to recover the Withholding tax receivable balance.	Prompt action should be taken to make necessary adjustment in the financial statements and recover the receivables.
(b) The sponsorship receivables from a Company aggregating to Rs.2,222,800 were remained outstanding for over 03 years without being recovered or adjusted in the financial statements.	In the year 2021 Rs. 61,600 has settled and action is in progress to recover the debtor from the payable balance to Imtiaz. Direct confirmation request letters have been circulated through registered post and confirmation letters sent to respective sponsors. We have added the following clause in the confirmation to be more precise. Relevant clause "In the event a response to this letter is not received within three weeks from the date hereof, it shall be deemed that the balance stipulated herein is accurate and agreed by you.	Action should be taken to make necessary adjustments in the financial statements and recover the receivables.

- (c) A Receivable income for Sponsorship rights amounting to Rs.37,557,263 (USD 187,085) related to the South Africa Tour in Sri Lanka in the year 2018, had been shown in the financial statements as receivable from the respective sponsorship company. However, due to suspicious and irregular intervention forced to the above transaction, the recoverability of the above amount from the Sponsors is doubtful.
- This includes US\$ 187,084.75 which was receivable by 1st August 2018 from Sony Pictures Network India (Pvt) Ltd as the final payment (15%) of International Television, Radio, Mobile, Internet & sponsorship rights for the South Africa tour of Sri Lanka 2018. This has not been received by Sri Lanka Cricket as of the reporting date. However, the supplier has made the claim that the amount has been paid to Sri Lanka Cricket. An investigation is being conducted and a court case (case no B/657/01/18) is being heard at the Chief Magistrate Court of Colombo and the same has not been concluded as of the date of the financial statements. Based on the legal opinions received, the management is of the view that the amount is recoverable, however, as per accounting standards impairment provision recognized to mitigate the risk involved.
- Action should be taken to recover the receivables without any delay.

1.6.2 Advances

----- Audit Issue -----	----- Management Comment -----	----- Recommendation -----
The accumulative deposits amounting to Rs.12,794,805 relating to the period from 2007 to 2020 had been shown in the financial statements without being recovered or making necessary adjustments by evaluating the balances.	Following actions are taken to recover/confirm the said balances, A letter of confirmation has been sent with regard to the deposits paid for the services utilizing at present by SLC. A refund request letter has been sent with all the corresponding documents for deposits paid for specific tasks or events which are completed For 18 items out of the total list actions is in progress.	Action should be taken to recover the deposit as early as possible.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs.2,478,605,198 and the corresponding surplus in the preceding year amounted to Rs.2,709,452,864. Therefore, a deterioration amounting to Rs.230,847,666 of the financial result was observed. Increase the expenditure by Rs.1,487,919,565 was mainly attributed for that deterioration.

3. Operational Review

3.1 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
(a) Sri Lanka Cricket had decided to construct swimming pool project at Dambulla International cricket stadium with the objective of the development of Cricket infrastructure in the international cricket grounds in Sri Lanka. A sum of Rs.58,304,528 had been paid for the project during the period from 2018 to 2021. Although above project scheduled to be completed within 6 months from the date of agreement, 18 December 2019, this project had not been completed even up to the end of the year under review.	As our project team is working to complete the project, following the due process as per the agreement and the relevant regulation (ie: ICTA, CIDA). The project has been approved and granted with an extension of time due to circumstances of COVID 19 outbreak and events outside of human control or activity, like flood. Recovery of the advance is based on the work done which certified by Project Manager/Project Consultant. There is no delay in completion of project as an EOT has been approved and granted by the project manager according to the agreement and the regulation. (ICTA/CIDA) Balance advance will recover as per the revised project plan.	Action should be taken to complete the construction works as early as possible.

- (b) The Hettipola Ground Construction works had been commenced with the objective of the developing cricket infrastructure for district cricket players and a sum of Rs.32, 067,363 had been incurred for the project during the period from 2018 to 2021. Although above construction project scheduled to be completed by 30 September 2018, it was not completed even up to the end of the year under review. Hence the expected objectives of the project could not be achieved.
- The construction work of the Hettipola ground was completed. Currently we are in the process of collecting the required supporting documents from contractor/project manager /project consultant to post the relevant accounting entries. The delay in receiving the required documents from the contractor is due to the circumstances of COVID 19 outbreak
- Action Should be taken to complete the Construction works as early as possible.