

**1.1 Qualified Opinion**

-----

The audit of the financial statements of the Sri Lanka Cricket (“Sri Lanka Cricket”) for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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(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 Cricket as at 31 December 2019, 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 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 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 Financial Statements

### 1.5.1 Non-Compliance with Sri Lanka Accounting Standard

Non-Compliance with the reference to particular Standard	Management Comment	Recommendation
According to the Sri Lanka Accounting Standard 16, Section 51, the residual value and the useful life of an asset should be reviewed at least at each financial year-end. However, fully depreciated Property Plant and Equipment costing Rs.1,270,025,416 still in use had not been revalued due to failure in reviewing the useful life of the Property Plant and Equipment annually.	We are in the process of carrying out a valuation of PPE and once the valuation are done and accepted by the management necessary entries will be incorporated into the books of account.	The residual value and the useful life of an assets should be reviewed at least at each financial year-end.

### 1.5.2 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
(a) A doubtful receivable income from sponsorship rights amounting to Rs.33,955,882 (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 that sponsorship company. Furthermore, an investigation is being carried out by the Criminal Investigation Department (CID).	Noted the comment	Prompt action should be taken to make necessary disclosures in the financial statements.
(b) The un-identified balances amounting to Rs.5,845,788 had been included in the advance-general account since the	Advance General Rs.5,845,788 these are balances brought forwarded	Prompt action should be taken to identify the balances and to make

year 2013. That balances had been carried forward and shown under the current assets without being identified and adjusted in the financial statements even in the year 2019.

prior to year 2011 and the EXCO has recommended to table at the next AGM to obtain the membership approval to clear the amounts which cannot be recovered.

necessary adjustment in the financial statements

(c) Four projects valued at Rs.26,068,579 had been abandoned by the Sri Lanka Cricket as there were no approvals from respective authority during the period of interim committee appointed by the Ministry of Sports and the value of abandoned projects had still been included in work in progress without being adjusted in the financial statements.

The decision was taken by the interim committee to construct the said projects but couldn't complete during their tenure. subsequently the elected committees assessed the project which was commenced by the interim committee and due to the fact that there were no approvals from the respective authorities and had to abandoned the projects until the necessary approvals obtained.

Prompt action should be taken to make necessary adjustment in the financial statements

(d) A difference of Rs.46,573,373 was observed between the Withholding Tax and Economic Service Charge Tax calculations made by the Sri Lanka Cricket and corresponding assets shown in the financial statements. Further, the Value Added Tax (VAT) liability has been understated by Rs.8,931,206 due to not declaring the liable turnover of Rs.111,543,451 in the VAT return for the year ended 31 December 2019.

This has to be rectify with the tax consultants and will make necessary adjustments if any in 2020.

Prompt action should be taken to reconcile the balances and make necessary adjustment in the financial statements.

### 1.5.3 Unreconciled Control Accounts or Records

Item	As per Financial Statements	As per corresponding Record	Difference	Management Comment	Recommendation
	Rs.	Rs.	Rs		
Payable to the state Engineering Corporation	258,347,662	147,362,669	110,984,993	Noted the comment	Prompt action should be taken to reconcile the balances in the financial statements

#### 1.5.4 Documentary Evidences not made available for Audit

Item	Amount	Evidence not made available	Management Comment	Recommendation
Rs.				
(a) 03 Receivable balances	68,038,113	Balance Confirmations	Noted Comment	the The confirmations of receivable should be furnished to audit in order to verify the balances.
(b) 07 Advances and deposits	143,404,077	Balance Confirmations	Noted comment.	the The confirmations of advances and deposit should be furnished to audit in order to verify the balance.
(c) 05 Payable balances	105,880,318	Balance Confirmations	Noted comment.	the The confirmations of payables should be furnished to audit in order to verify the balances.
(d) Accrued expenses	18,857,016	Detailed schedules	Noted comment.	the The detailed schedules should be furnished to audit in order to verify the balances.

## 2. Financial Review

### 2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs.471,133,388 and the corresponding surplus in the preceding year amounted to Rs.2,259,301,564. Therefore, a deterioration amounting to Rs.2,730,434,952 of the financial result was observed. Decrease the income by Rs.2,978,116,352 was mainly attributed for that deterioration.

## 3. Operational Review

### 3.1 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
(a) A land named Walakubura Watta of 256 perches in Katugastota, Kandy had been taken on lease by Sri Lanka Cricket to establish a Cricket Campus on 29 April	The Building Applications has been submitted to Urban Development Authority	Prompt action should be taken towards the completion of construction the

2017 under 30 years lease basis and the lease rent payable for 30 years amounting to Rs.26.25 million. In addition, a sum of Rs.25 million had been paid as a donation to the lessor for the land. However, no information made available about the commencement and completion dates of construction of cricket campus.

(UDA) and upon the receipt of the approval, building constructions will be able to commenced.

Cricket Campus.

- (b) Construction of National Cricket Stadium and a Multi Sports Complex which had been awarded on 17 August 2017 with the expectation of completing the construction of cricket stadium by October 2018, is being developed at the international level at Hingurakgoda in Polonnaruwa and a sum of Rs.132,088,862 had been spent by 31 December 2019. However, the recommendations of the two institutions from which necessary approval should be obtained for the plans pertaining to the construction of cricket stadium and pavilion, and a title deed for the land of 10 acres had not been obtained. Further, pipes relating to the irrigation system of the stadium, had not been connected to a drainage system and access road and security fence of the stadium had not been established. As there was no ownership for the relevant land, electricity had not been provided. Finally, a significant delay in the commencement of contract works was observed and construction was not completed by the year under review.

Even though this contract has been awarded on 17/08/2017 the land has been handed over to start the construction on 31/05/2018. The delay of this project has been notified by the Exco and recommence & the work on 22/02/2019. The projects contract number 1 is 100% completed and the number 4 contract is about 75% completed and it is due to complete the whole project by 31/08/2020

Prompt action should be taken towards the completion of construction the National Cricket Stadium and Multi Sports Complex.

### 3.2 Procurement Management

----- <b>Audit Issue</b> -----	----- <b>Management Comment</b> -----	----- <b>Recommendation</b> -----
(a) In terms of section 4.2 of Government Procurement Guideline 2006, procurement plan of Sri Lanka Cricket for the year 2019 was not available to audit.	We have a broader plan for procurement incorporated into the Annual Budget and it continuously changing due to reschedule the tours and tournaments. Procurement will be done based on the actual requirement.	Procurement plan should be furnished to audit
(b) Twenty-five Single Drums 01 Ton Mechanized Roller had been purchased at a cost of Rs.36,360,500. However, the beneficiaries had not been recognized before the procurement. Further, the procurement had been carried out through an Engineering consultancy service institution which had not reported any major income during the preceding 3 years, without evaluating the financial ability and the possibility of supply and also these machines had not been properly taken over by the Sri Lanka Cricket after got verified with the specification provided.	We have called quotations from 5 registered suppliers in supply of cricket equipment and machineries and out of 5 suppliers 4 have responded. Based on the technical evaluation report the tender has been awarded to the lowest bidder who complied with the required specifications. This has been approved by the Tender Board, Management Committee and the Exco.	Procurement procedure should be followed in correct mannar