

1.1 Qualified Opinion

The audit of the financial statements of the National Olympic Committee of Sri Lanka (“Committee”) for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of income and expenditure, 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 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 National Olympic Committee of Sri Lanka 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 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 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 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 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 National Olympic Committee of Sri Lanka'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 National Olympic Committee of Sri Lanka'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 National Olympic Committee of Sri Lanka 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 National Olympic Committee of Sri Lanka, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the National Olympic Committee of Sri Lanka has complied with applicable written law, or other general or special directions issued by the governing body of the National Olympic Committee of Sri Lanka;
- Whether the National Olympic Committee of Sri Lanka has performed according to its powers, functions and duties; and
- Whether the resources of the National Olympic Committee of Sri Lanka 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 for Small and Medium sized Entities

Non-Compliance with the reference to particular Standard	Management Comment	Recommendation
<p>In terms of paragraph 17.33 of chapter 17 of the Sri Lanka Accounting standards for Small and Medium sized Entities the financial statements as at 31 December 2019 of the National Olympic Committee of Sri Lanka had not disclosed whether an independent valuer was revalued, the methods and significant assumptions applied in estimating the items fair values, for each revalued class of property plant and equipment the carrying amount that would have been recognized had assets been carried under the cost model and the revaluation surplus indicating the change for the period and any restriction on the distribution of the balance.</p>	<p>NOC has disclosed in policies that revaluation has been done as at 31.12.2019 by chartered valuer which is indicated with all assumptions applied in estimating the item fair values. It is clearly describe in the report as well.</p>	<p>Action should be taken to disclose the revaluation of the PPE as per the Sri Lanka Accounting standard for small and Medium size entities.</p>

1.5.2 Documentary Evidence not made available for audit

Item	Amount	Evidence not made Available	Management Comment	Recommendation
	Rs.	Rs.		
06 items of stocks	5,632,431	Stock valuation report	We have done a physical verification only. Action will be taken to solve the issue in 2020.	Stock valuation report should be furnished to audit in order to verify the value of stock.

1.6 Non-Compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules Regulations	Non-Compliance	Management Comment	Recommendation
Sports law, No 25 of 1973 Resignation of Extra Ordinary Gazette Notification No 773/7 dated 29 June 1993	(i) National Olympic Committee should submit the report quarterly to the Ministry of Sports regarding the domestically and internationally received grant. However, the Committee had failed to submit those reports for the year 2019.	NOC SL is governed by the IOC approved constitution and every member who travelled on account of NOC SL always briefed the executive members at their monthly meetings and this had being the practice. As for reporting to Ministry, we have given our annual report which covers all aspect of NOC SL operations including the question you posted.	NOC should be submit quartly reports to the Ministry of Sports regarding the domestic and international grant received.
	(ii) National Olympic Committee should submit detailed report to the Ministry of Sports on the attendance of foreign tours for meetings, within 30 days from the date of the return to	NOC SL is governed by the IOC approved constitution and every member who travelled on account of NOC SL always briefed the executive members at their monthly meetings and this had being the practice. As for reporting to Ministry, we have given our annual report which	NOC should be submit detailed report to the Ministry of Sports regarding the foreign tours.

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 However, the SL operations including
 officers had the question you posted.
 participated to
 the foreign
 tours, required
 reports had not
 been submitted.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs.20,405,204 and the corresponding deficit in the preceding year amounted to Rs.11,596,940. Therefore, a deterioration amounting to Rs.8,808,264 of the financial result was observed. Decrease of the total income by Rs.3,798,003 and increase of the operating expenditure by Rs.4,053,978 had mainly attributed for this deterioration.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue -----	Management Comment -----	Recommendation -----
<p>There were 34 National Federations registered as members of the National Olympic Committee of Sri Lanka in 2019. Among the 34 National Federations, 32 members had only been granted annual grant amounting to Rs.6,850,000 for the year 2019 and 04 members had been granted other project related fund amounting to Rs.5,933,292 for the year 2019. An amount of Rs: 8,630,073 which should have been given to 17 member federations had not been given by obtaining the relevant documents from the said federations.</p>	<p>The approved procedure adopted by the previous committee is that the NF's has to comply with certain requirements and apply for their annual grant and projects related expenses during the year. If the NF's do not fall in line and apply for their grant or any projects expenses, the NOC cannot release funds or is not responsible for such acts of NF's. Hence we disagree with the comment that NOC have not given any funds and instead if should be the NF's has not shown interest and collected their grants.</p>	<p>NOC should be release the grant to member federations after obtaining the relevant documents.</p>

3.2 Procurement Management

Audit Issue	Management Comment	Recommendation
The procurement plan for the year 2019 had not been prepared by the National Olympic Committee of Sri Lanka.	We will prepare it for 2020 year. The operation of the NOC varies from year to year as projects and activities are not the same. However, details budget are prepared for each and every activity before the activities are commenced.	Prompt action should be taken to prepare the procurement plan.

3.3 Human Resources Management

Audit Issue	Management Comment	Recommendation
A proper Scheme of Recruitment for the staff of the Olympic Committee had not been prepared.	We are not a large profit generating operation; hence we manage with a bare minimum staff to keep the overheads at the bare minimum. Based on any new activity or a projects undertaken, if necessary recruitments are done having carried out a proper evaluation with EXCO approval. We do not see this as a requirement currently for NOC. We also use volunteers in our projects where ever possible.	A scheme for recruitments and cadre should be prepared and get the 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 have provision in the 2020 budget to have a strategic planning session in order to develop our strategic plan	Prompt action should be taken to prepare the Corporate Plan consisting the future direction of the Committee.