

Sugathadasa National Sports Complex Authority -2012

1. Financial Statements

1.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.2 of this report, the financial statements give a true and fair view of the financial position of the Sugathadasa National Sports Complex Authority as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Comments on Financial Statements

1.2.1 Accounting Deficiencies

Following observations are made.

- (a) The value of fully depreciated fixed assets as at 31 December 2012 were Rs. 20,759,245 and such assets are currently being utilized by the Authority. However the management had not taken necessary action to revalue them.
- (b) The refundable deposits over two years amounting to Rs.1,250,941 had been accounted as income of the year under review though it should be accounted as other income as the respective parties had not claimed.

1.2.2 Accounts Receivable and Payable

Following observations are made.

- (a) Out of total debtors as at 31 December 2012 amounting to Rs. 40,938,879, the over five years debtors amounting to Rs. 34,932,929 remained without being recovered. Further, the accuracy and the recoverability of those debtors could not be ascertained in audit as the respective parties had not confirmed the balances.
- (b) Out of total miscellaneous debtors as at 31 December 2012 amounting to Rs. 3,117,357, the over five years debtors amounting to Rs. 2,765,932 remained without being recovered. Further over five years balance consisting of Rs. 1,936,100 due from the Lions Club.

1.2.3 Lack of Evidence for Audit

Following observations are made.

- (a) The Authority had accounted stocks held at R.Premadasa Stadium valued at Rs. 2,149,491 as Authority stocks without carrying out physical verification. Therefore the accuracy and the existence of the stocks could not be ascertained in audit.
- (b) As the Bill of Quantity (BOQ) of the additional works of the Renovation of Sugathadasa Outdoor Stadium VIP Building had not been made available for audit, the accuracy of the payments for such works amounting to Rs. 2,908,153 could not be ascertained in audit.

1.2.4 Non-compliances with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance observed in audit during the year under review are given below.

Reference to Laws, Rules etc.	Non – compliance
(a) Section 13(5)(d) of the Finance Act No. 38 of 1971	The Authority had not submitted the Internal Audit programme for 2012 to the Auditor General.
(b) Financial Regulation 396 (d)	The Authority had not taken necessary action in respect of the ten cheques valued at Rs. 210,724 which are unrepresented period over six months even as at 31 May 2013.
(c) Section 6.5.1 of the Public Enterprises Circular No. PED/12 dated 02 June 2003	Even though the draft financial statements should be rendered to the Auditor General within 60 days after the closure of the financial year, the financial statements for the year under review had been rendered for audit on 02 April 2013 only.
(d) Treasury Circular No. IAI/2002/02 of November 2002	A Separate Register for computers and Software had not been maintained.
(e) Section 8 of the Budget Circular No. 150 of 07 December 2010	As the Authority had received one Double Cab vehicle, the vehicle nominated for disposal should be disposed and the proceeds should be

- remitted to the Treasury. However, without disposing the vehicle recommended for disposal, it had been still utilised by the Authority.
- (f) Section 3.2.2(a) of Procurement Guidelines dated 01 March 2006
- When calling for competitive bids, in every possible occasion, it was required to publish in a national newspaper which has a high turnover, in the procurement agency website and any other relevant websites. However it had not been complied when calling for bids for the Renovation of Sugathadasa Outdoor Stadium VIP Building and Renovation of Sugathadasa Stadium Seating Area.
- (g) Section 6.3.6 of Procurement Guidelines dated 01 March 2006
- When bids are opening it was required to record the particulars of the bids in a register/prescribed format and needed to be signed by the members of the bid opening committee. However it had not been complied in respect of the bids called for the Renovation of Sugathadasa Outdoor Stadium VIP Building and Renovation of Sugathadasa Stadium Seating Area.
- (h) Section 5.4.4 of Supplementary No.18 of the Procurement Guidelines dated 08 September 2010
- The Mobilization Advance payment should be limited to 20 per cent of the contractual amount. However, contrary to that, the Authority had paid Rs. 6,194,828 as advances for the construction and Rs. 1,088,512 for renovation of Bogambara Shakthi Wardana Hall which equal to 50 per cent of the contractual amount.

1.2.5 Unexplained Differences

As per the records of the main stores, the confirmed stocks balance as at 31 December 2012 was Rs. 6,331,356 and as per the financial statements it was Rs. 6,195,938. As a result the stocks had been understated by Rs. 135,422.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the operational activities of the Authority for the year ended 31 December 2012 had resulted in a deficit of Rs.82,758,124 as compared with the corresponding deficit of Rs. 74,040,180 for the preceding year thus indicating a further deterioration in the financial results by Rs. 8,717,944 as compared with preceding year.

2.2 Analytical Financial Review

An analysis of the income statement of the Authority furnished for audit indicates an increase of Rs.3,800,000 in the Government grant for revenue expenditure of the year under review as compared with the preceding year. It represented an increase of 5 per cent. Similarly, the operating income of the Authority had increased by Rs.7,904,974 and the operating expenditure had increased by Rs.20,422,918. The percentage of increase of income was 11 per cent and the percentage of increase of expenditure was 9 per cent.

3. Operating Review

3.1 Performance

It was observed that the Authority had not taken effective measures to increase the income of the stadiums, especially new revenue avenues by displaying hoarders in indoor and outdoor stadiums and proper management of expenditure. Details relating to income earned and the expenditure incurred by each stadium of the Authority during the year under review and previous year are shown below.

Stadium	Income for the year ended 31 December		Increase/ (Decrease) as a percentage %	Expenditure for the year ended 31 December		(Increase)/ Decrease as a percentage %
	2012 Rs.	2011 Rs.		2012 Rs.	2011 Rs.	
Sugathadasa						
Indoor Stadium	45,422,052	45,913,022	(1)	98,728,281	76,012,550	(30)
Sugathadasa						
Outdoor Stadium	20,935,006	15,894,462	32	31,809,232	31,496,985	(1)
Beliatta	151,481	129,022	17	4,124,439	3,402,527	(21)
Nuwara Eliya	2,080,131	29,397	6,975	2,297,166	25,000	(9,089)
Bogambara	3,607,026	2,553,687	42	19,869,970	18,662,377	(6)

3.2 Management Inefficiencies

The following observations are made.

- (a) Out of the total income collected by the Indoor Stadium during the month of December 2012, a sum of Rs. 1,534,154 had been retained and deposited in the bank with 2 to 14 days delay.
- (b) As per the Cabinet Decision and the letter No. MS/05/L/10 dated 28 December 2011 of the Additional Secretary (Admin) it was required to obtain approval for the rates in the estimates from Steering Technical Committee of the Ministry of Construction, Engineering Service, Housing and Common Facilities before the payments exceeding 80 per cent of the contractual amount. However without the relevant approval, the Authority had made payments for the Construction of Bogambara Shakthi Vardana Hall and Bogambara Shakthi Vardana hall Renovation exceeding the limits. Further, before commencing the construction works, the Authority had not obtained the approval for the plan from the Kandy Municipal Council.

- (c) The Director(Engineering) had issued the work completion certificate for the Rs.129,799,400 worth of 400 metre track laying contract on 13 June 2013 and the Authority had made payments accordingly. However as per the letter dated 18 June 2013 of the Manger Outdoor Stadium, there were several defects in the track. Therefore, the audit test revealed that the Engineer had issued the work completion certificate without being examined the track properly.
- (d) The funds received for the Procurement of Capital Assets for the Authority had been spent for the Indian Film Festival Awards (IFFA) without being utilized for the intended purposes. Subsequently the Director General of National Budget had refunded Rs.189, 964,602 and directed by his letter No. BD/HRD/136/2/9/3 dated 06 January 2012 that not to use such funds for any other purpose. However, contrary to that, the Authority had deposited Rs. 14,324,000 in a fixed deposit without being utilized for the intended purposes.
- (e) The Authority allocated Rs. 5,000,000 for the Procurement of Gymnastic Mattress and the Construction and Refurbishment of Sports Hotel in year 2008. However, such funds had been invested in a call deposit without being utilized for the intended purposes since 31 December 2008.

3.3 Contract Administration

Following observations are made.

- (a) The Authority had purchased Rs. 5,684,087 worth of Electronic Barrier Machine from a Private Company to install at the Car Park of the Sugathadasa Stadium . As the machines were not working from the date of purchase, the machines had been sent to Singapore for repairs and it had also not been succeeded. Subsequently, the supplier had supplied a substitute machine to replace the original. However, as per the Director's letter No. 04/03/03/26/2010 dated 04 September 2012 and the Technical Officer's letter dated 13 January 2013, substitute machines were also not in working condition. As a result, the Authority had not achived the expected objectives from the above machines.

- (b) Out of the bids received for the renting out the Sugathadasa Indoor Stadium Restaurant, the Authority had selected the highest bid quoted at a monthly rental of Rs. 121,000. The Authority had taken 105 days to issue the awarding letter on 14 March 2013 from the opening of the bids. However, the bidder had rejected the offered letter. Subsequently, the Authority had called for fresh bids and had selected the highest bid quoted at a monthly rental of Rs. 91,000. As a result, under the new contract, the estimated loss of the Authority for the two years period was Rs. 720,000. Further under the new agreement the late payment charges had been decreased from 10 to 5 percent which affects the Authority unfavorably.
- (c) The Sports Hotel of the Authority had been rented out at a monthly rental of Rs.760,000 for a period of three years commencing from 15 November 2010. Subsequently, on 23 March 2011 the Board of Directors of the Authority had decided to cancel the said contract and to operate the Hotel under the Authority's Management. However, under the Authority's Management the gross profit of the Sports Hotel (after deducting direct cost and before deducting indirect costs) for the year under review was Rs. 4,952,228. Therefore when compared the rental income of Rs.9,120,000 the loss occurred under the Authority's Management was Rs. 4,167,772.

3.4 Delay in Projects

The Authority had not completed the all planned programmes for 2012 even at the end of year 2012. Some of the delayed programmes are given below.

Project	Completion date as per Activity Plan
Investigation and Rectification of leaks in swimming pool	2012-03-30
Refurbishment of Sugathadasa Indoor Stadium hall	2012-03-30
Relaying of 400m Track	2012-03-30
Contruction of strength hall, Bogambara	2012-03-30

4. Accountability and Good Governance

4.1 Corporate Plan

According to Section 5.1.3 of the Public Enterprises Circular No.PED/12 dated 2 June 2003, a Corporate Plan should have been prepared containing information such as the resources belonging to the Authority, organization chart, operating results of the past 3 years, duties and responsibilities of the managers and performance. However, a Corporate Plan had not been prepared by the Authority up to 31 December 2012.

4.2 Audit and Management Committee Meetings

In terms of Section 7.4.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003, it was required to have at least four Audit and Management Committee meetings for a year. However the Authority had conducted only three meetings in 2012.

4.3 Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to notice of the Chairman of the Authority from time to time. Special attention is needed in respect of the following areas of control.

- (a) Assets Management
- (b) Procurements
- (c) Receivables and Payables
- (d) Accounting
- (e) Revenue Collection
- (f) Petty Cash
- (g) Budget