

National Sports Fund - 2014

The audit of financial statements of the National Sports Fund for the year ended 31 December 2014 comprising the balance sheet as at 31 December 2014 and the income and expenditure account and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, 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 Section 13(1) of the Finance Act, No. 38 of 1971 and Section 25(4) of the Sports Act, No. 25 of 1973. My comments and observations on these financial statements appear in this report.

1.2 Management's Responsibility for Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with the Generally Accepted Accounting Principles and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements 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 Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the National Sports Fund as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

2.2 Comments on Financial Statements

2.2.1 Accounting Deficiencies

The following observations are made.

- (a) The interest on fixed deposits receivable as at 31 December of the year under review had been overstated by a sum of Rs.2,611,398 and as such the interest on fixed deposits receivable and its surplus for the year under review had been overstated by that amount.
- (b) The balance in the Special Advance Account had become zero as grants of Rs.15,000,000 received by the Sports Fund had been credited to the Special Advance Account. As such the surplus for the year under review had been understated by that amount.

2.2.2 Unexplained Differences

Even though the Investment Balance amounted to Rs.169, 288,291 as stated in the financial statements as at 31 December in the year under review, this balance amounted to Rs.169,002,530 according to confirmation of balances. Thus, a difference of Rs.285,761 was observed.

2.2.3 Lack of Evidence for Audit

The following items could not be satisfactorily accepted or vouched in audit due to non-availability of evidence indicated against the items of accounts.

| Item | Value | Evidence not made available |
|---|--------------|------------------------------------|
| ----- | ----- | ----- |
| | Rs. | |
| (a) Cash prizes for the winners of the National Sports Meet | 5,691,500 | Information of cash prize winners. |
| (b) Expenditure of cricket tournaments | 347,600 | Bills and Expenditure Reports. |

| | | |
|--|-----------|---|
| (c) Purchase of 5 books of “Royal City Sri Lanka” | 45,000 | Documents relating to issuing and receiving of goods. |
| (d) Purchase of 100 sports books for the Commonwealth Summit | 1,128,234 | Documents relating to issuing and receiving of goods. |

2.3 Non – compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with laws, rules, regulations etc are given below.

| Reference to Laws, Rules, Regulations etc. | Non-compliance |
|---|--|
| ----- | ----- |
| (a) National Sports Act, No.25 of 1973 | |
| (i) Section 4 | An amount of Rs.98,000 had been paid contrary to the Act, to the members of National Sports Council, for their participation in the meetings. |
| (ii) Section 25(2) | Even though the Secretary to the Ministry should prepare a report on the administration of the Fund as soon as possible after the end of each calendar year, no such report had been prepared. |
| (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 571(3) | Even though lapsed deposits should be credited either to the Income Account or to the National Income, cheques valued at Rs.789,136 had been retained in the Deposit Account. |
| (c) Public Finance Circular No.431 of 24 April 2008 | Even though the air tickets should always be purchased from Government approved institutes, contrary to that, air tickets valued at Rs.1,562,400 had been purchased by the Fund from private institutions. |
| (d) Budget Circular No.91 of 04 April 2001 | Contrary to the Circular, a sum of Rs.750,297 had been spent from the Sports Fund for foreign tour expenses of an officer who served as the Personal Assistant to the Minister of Sports. |

2.4 Transactions not supported by Adequate Authority

Income of Rs.1,681,061 of the Gymnasium of the Department of Sports Development had been credited to the National Sports Fund without obtaining the Treasury approval in the year under review.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Fund for the year ended 31 December 2014 had been a surplus of Rs.15,061,490 as against the deficit of Rs.12,468,672 in the preceding year thus indicating an improvement of Rs.27,530,162 in the financial result as compared with the preceding year. The decrease of expenditure and sundry payments of the National Sports Meet by Rs.5,725,000 and Rs.20,842,631 respectively, had mainly attributed to the improvement of the financial result.

4. Operating Review

4.1 Performance

Even though the main objectives of the Fund are encouragement of sports and improvement and development of sports of Sri Lanka, a Corporate Plan and an Action Plan had not been prepared and implemented thereon.

4.2 Management Inefficiencies

The following observations are made.

- (a) A Fixed Deposit amounting to Rs.3, 000,000 belonging to the Fund had been withdrawn in August 2013 for granting to Sugathadasa National Sports Complex Authority to purchase an electronic scoreboard. However, this amount had been deposited in a Current Account without granting to the Authority and as such, interest on fixed deposit income receivable to the Fund had been lost.
- (b) Even though the Minister of Sports had granted approval to invest Rs.15,000,000 in three Fixed Deposits at the rate of Rs.5,000,000 in June 2014, no action had been taken to invest a sum of Rs.5,000,000.

4.3 Uneconomic Transactions

The following observations are made.

- (a) Even though sums of Rs.900,000 and Rs.717,000 had been spent respectively from the Sports Fund to the Sports Ministries of Southern and North Western Provinces for providing transport facilities to the members of the Sports Clubs for the Programme of Distribution of 2,500 sets of sports equipment, only 10 sets had been distributed. Nine hundred sets of sports equipment had been transported again to the provincial ministries

by spending a sum of Rs.28, 600. As such, the transport expense of Rs.1,617,000 and festival expenses of Rs.125,000 spent for this programme had been fruitless.

- (b) Even though travelling should be made in economy class in overseas travelling in accordance with Section 11.1 of Chapter XV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka, a sum of Rs.1,800,700 had been spent for the purchase of business class air tickets, contrary to it.

4.4 Transactions of Contentious Nature

The following observations are made.

- (a) Even though the objectives for which the Sports Funds could be utilized had been indicated specifically by Paragraph 27 of Sports Act No.25 of 1973, contrary to it, a sum of Rs.35,000,000 had been spent in the years 2013 and 2014 respectively, for the construction of the building of the Ministry.
- (b) A sum of Rs.591,437 had been paid from the National Sports Fund in the year under review for the salaries and allowances of three instructors recruited for the Gymnasium of the Bogambara Stadium managed by Sugathadasa National Sports Complex Authority, an Officer recruited as Receptionist of the Ministry on temporary basis and for a Maintenance Engineer recruited to the Ministry on contract basis without an approved post.
- (c) Thirty laptop computers had been purchased by spending Rs.1,065,000 in the year under review from the National Sports Fund for Sports Journalists and Sports Commentators. Two laptop computers each had been issued to 05 Institutions when the Minister had granted approval to issue one laptop computer to each Media Institution.
- (d) The need for the payment of an amount worth Rs.7,501,019 for the “Breakfast Event” programme promoted in the Opening Ceremony and other supporting services was not proved to the audit when bearing of expenditures for the Commonwealth Summit and Business Conference held in the year 2013 had been made by the Ministry of Foreign Affairs. Further, the payment amounting to Rs.1,895,262 allocated for needs as lighting, settings and sound effects of the relevant programme had been made even when it has been removed in assessing under the guidance of the Secretary of the Ministry.

5. Accountability and Good Governance

5.1 Internal Audit

An Internal Audit Unit had not been established to accomplish the duties and responsibilities of the National Sports Fund and, an audit of the Fund had not been carried out by the Internal Audit Unit of the Ministry of Sports.

6. Systems and Controls

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

- (a) Financial Management
- (b) Accounting
- (c) Budgetary Control