

## **National Sports Fund – 2015**

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The audit of financial statements of the National Sports Fund for the year ended 31 December 2015 comprising the Balance Sheet as at 31 December 2015 and the income and expenditure account and the 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 of the National Sports Act No.23 of 1973. My comments and observations which I consider should be published with the Annual Report of the Fund in terms of Section 14(2) (c) of the Finance Act, appear in this report.

### **1.2 Management's Responsibility for the Financial Statements**

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Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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**

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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 judgment, 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. Sub section (3) and (4) of Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

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

## **2. Financial Statements**

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### **2.1 Opinion**

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In my opinion, the financial statements give a true and fair view of the financial position of the National Sports Fund as at 31 December 2015 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**

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#### **2.2.1 Accounting Deficiencies**

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The audit fees of Rs.167,166 relating to the year 2014 but paid in the year under review had not been accrued in the relevant year and accounted as an expenditure of the current year. Similarly, no provision for audit fees in respect of the year under review had been made.

#### **2.2.2 Unexplained Differences**

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In the comparison of balances of the investment account and the interest on investment account as at 31 December 2015, with the letters of confirmation of balances, a difference of Rs.35,510 was observed.

### **2.4 Non-compliance with Laws, Rules, Regulations and Management Decisions**

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In terms of Section 25(2) of the National Sports Act No.25 of 1973 a report on the administration of the Fund should be prepared by the Secretary to the Ministry immediately after the closure of the calendar year. Nevertheless, an administration report in terms of this section had not been prepared.

## **3. Financial Review**

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### **3.1 Financial Results**

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According to the financial statements presented the financial results of the Fund for the year under review had been a surplus of Rs.39,213,989 as compared with the surplus of Rs.15,061,490 for the preceding year thus indicating an improvement in the financial results by Rs.24,152,499 for the year under review as compared with the preceding year. Increase in government grant by Rs.15,000,000 and the decrease in total expenditure by Rs.13,419,508 had been the main reason for this improvement.

#### **4. Operating Review**

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##### **4.1 Management Activities**

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The following observations are made.

- (a) A sum of Rs.2,270,000 had been paid during the year under review by the Fund to the committee of inquiry appointed by the Minister of Sports in order to inquiry into frauds and corruptions made in the Fund and the Sri Lanka Cricket Institute during the past 5 years. However, proper action had not been taken to implement the recommendations made by that committee.
- (b) Sums of Rs.258,000 and Rs.128,284 had been paid to the maintenance Engineer of the Ministry of Sports and the Receptionist of the Ministry of Sports in the year under review respectively by the Fund. This expenditure was not an operating expenditure of the Fund but the administrative expenditure of the Ministry. It was observed that these payments were contrary to the objectives of the Fund.

#### **5. Accountability and Good Governance**

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##### **5.1 Action Plan**

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In terms of Paragraph 5.2 of the Public Finance Circular No.2014/01 dated 17 February 2014, an annual action plan, aimed in the achievement of objectives of Fund namely the encouragement, improvement and development of sports in Sri Lanka had not been prepared and implemented.

##### **5.2 Internal Audit**

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An internal audit unit had not been established to audit the activities of the Fund in terms of Financial Regulation 133 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka and an audit had not been carried out even by the Internal Audit Unit of the Ministry of Sports relating to the activities of Fund in the year under review. As such it was observed that a sufficient internal check had not been carried out in respect of the administration and expenditure of the Fund.

##### **5.3 Budgetary Control**

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In comprising the budgeted expenditure and the actual expenditure of the National Sports Fund in the year under review, variances ranging from 34 per cent to 100 per cent in the 17 items out of 20 expenditure items were observed and as such the budget had not been made use of as an effective instrument of management control.

#### **5.4 Tabling the annual reports**

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Annual reports for the years 2013 and 2014 of the National Sports Fund had not been tabled in Parliament.

#### **6. Systems and Control**

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

<b>Areas Systems and Control</b>	<b>Observations</b>
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(a) Budgetary Control	The existence of variances between budgeted expenditure and actual expenditure.
(b) Internal Audit	No internal audit was carried out.