

Report of the Auditor General on the Head 219 – Department of Sports Development – Year 2015

The audit of the Appropriation Account and the Reconciliation Statements including the financial records, books, registers and other records of the Department of Sports Development for the year ended 31 December 2015 was carried out in pursuance of provision of Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Director General of the Department on 20 December 2016. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the Accounts and Reconciliation Statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide and audit coverage as possible within the limitations of staff, other resources and time available to me.

1:2 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation Statements

The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Accounts and the Reconciliation Statements in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Finance and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

2. Accounts

2:1 Appropriation Account

Total Provision and Expenditure

The total net provision made for the Department amounted to Rs.2,799.81 million and out of that, a sum of Rs.2,310.16 million had been utilized by the end of the year under review. Accordingly, the savings out of the total net provision made for the Department amounted to Rs.489.65 million or 17.49 per cent of the net provision. Details appear below.

Expenditure	As at 31 December 2015			Savings as a Percentage of Net Provision
	Net Provision Rs.Millions	Utilization Rs.Millions	Savings Rs.Millions	
Recurrent	586.51	534.90	51.61	8.80
Capital	2,213.30	1,775.26	438.04	19.79
Total	2,799.81	2,310.16	489.65	17.49

2:2 Advances to Public Officers Account

Limits authorized by Parliament

The limits authorized by Parliament for the Advances to Public Officers Account Item No. 21901 relating to the Department and the actual amounts are given below.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
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Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
9.40	9.03	5.70	8.00	33.00	26.71

2:3 Imprest Accounts

The balance of the Imprest Account No. 7002/0000/00/0301/0016/000 under the Department of Sports Development as at 31 December 2014 amounted to Rs.0.97 million.

2:4 General Deposit Accounts

The balance of the General Deposit Account No. 6000/0000/00/0015/0100/000 under the Department of Sports Development as at 31 December 2015 amounted to Rs.194.39 million.

2:5 Audit Observation

The Appropriation Account and the Reconciliation Statement of the Department of Sports Development for the year ended 31 December 2015 had been satisfactorily prepared subject to the Audit Observations appearing in the Management Audit Report referred to in paragraph 1 above. Significant and material Audit Observations out of the Audit observations included in that Management Audit Report are given in paragraph 3.

3. Significant and Material Audit Observations

3:1 Presentation of Accounts

Even though the Department should have presented the Reconciliation Statement as at 31 December 2015 of the Advances to Public Officers Account Item No. 21901 to the Audit on or before 30 April 2016, the Reconciliation Statement had been presented only on 14 July 2016.

3:2 Non-maintenance of Registers and Books

It was observed during the course of audit test checks that the Department had not updated the C.C.10 Register whilst the other registers shown below had not been maintained.

Type of Register	Relevant Regulation
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(i) Register of Fixed Assets	Treasury Circular No. 842 of 19 December 1978.
(ii) Register Fixed Assets on Computers, Accessories and Software	Treasury Circular No. 1A1/2002/02 of 28 November 2002.
(iii) Register of Security	Financial Regulation 891(i)
(iv) Register of Electrical Equipment	Financial Regulation 454(2)
(v) Register of Liabilities	Financial Regulation 214
(vi) Register of Listing Motor Vehicles	Financial Regulation 1647
(vii) C.C.10 Register, Register of Debtors, Register of Creditors and Control Account	Public Enterprises Circular No. 90 of 10 August 1994.

3:3 Lack of Evidence for Audit

Provisions amounting to Rs.145,070,468 had been made available under 3 Objects to the District Secretariats for the development of Sports Grounds and the purchase of equipment. The District Secretariats had spent Rs.122,987,503 in that connection. The information on the relevant projects and the expenditure relating to the expenses had not been furnished to the Audit whilst follow-up action had not been taken on the implementation of the projects.

3:4 Imprest Accounts

The Department had not settled the imprest balance of Rs.981,414 by 30 April 2016. Out of that, balances amounting to Rs.20,000 existed from the year 2014.

3:5 General Deposit Account

The following observations are made.

- (a) Action in terms of the Financial Regulation 571 had not been taken on 85 deposits older than 02 years totaling Rs.58,437,363.

- (b) Even though the State Accounts Circular No. 243/2015 of 24 June 2015 prescribed that accounting should be done under the new groups of deposits, it had not been so done in connection with the deposits amounting to Rs.194,389,992.
- (c) Half yearly lists of the lapsed deposits had not been prepared in accordance with the Financial Regulation 571.
- (d) The name of the institution had been noted in brief in connection with the contract deposits amounting to Rs.40 million relating to a period from the year 2011 to August 2014. Action in terms of the Financial Regulation 569(2) had not been taken in that connection.

3:6 Reconciliation Statement of the Advances to Public Officers Account

The following deficiencies were observed during the course of audit test checks of the Reconciliation Statement as at 31 December 2015 of the Advances to Public Officers Account Item No. 21901.

- (a) According to the Reconciliation Statement as at 31 December 2015 presented to Audit, the balances that remained outstanding as at that date amounted to Rs.1,812,020. Even though those outstanding balances existed over periods ranging from 01 year to 05 years, the recovery of those balances had been at a weak level.
- (b) Loan balances totaling Rs.60,150 comprising Rs.58,450 recoverable from retired officers and a sum of Rs.1,700 recoverable from an officer who had vacated post existed over periods exceeding 5 years. Those outstanding balances had not been recovered even by the end of the year under review.
- (c) The loan balances that should be shown in the schedule of loan balances of the officers in service had been overstated by Rs.119,543 and understated by Rs.444,127. As such the net understatement of the balance of the account amounted to Rs.324,584.

3:7 Good Governance and Accountability

3:7:1 Annual Action Plan

The Action Plan prepared for the financial year in terms of Paragraph 3 of the Public Finance Circular No. 01/2014 did not include the Organization Structure, the approved staff, the actual staff, the Action Plan prepared according to the priorities based on the Annual Budget, the expected outputs and results of such activities, the Annual Imprest Requirement Plan, the Annual Procurement Plan and the Internal Audit Plan.

3:7:2 Internal Audit

Even though provision amounting to Rs.2,799.81 million had been made for the Department from the Annual Estimates, an Internal Audit Unit as specified in paragraph 3 of the Management Audit Circular No. DMA/2009(i) of 09 June 2009 had not been established. An adequate internal audit of the Department had not been carried out even by the Internal Audit Unit of the Ministry.

3:8 Assets Management

The following observations were made during the course of audit test checks of the assets of the Department.

(a) Idle and Underutilized Assets

It was revealed during the course of audit test checks that the Swimming Pool costing Rs. 33 million constructed at the Madampe Senanayake College and the Tennis Court costing Rs. 0.9 million for the Wattegama Madulkele Sports Unit had been idling over periods of 4 years and 1 year respectively.

(b) Conduct of Annual Boards of Survey

Even though the Public Finance Circular No. 02/2014 dated 17 October 2014 requires that the Board of Survey should be conducted and the reports thereon should be presented to the Auditor General before 17 March 2016 the Reports of the Boards of Survey of 13 District Offices had not been presented to Audit even by 20 June 2016.

(c) Assets given to external Parties

Motor vehicle purchased by the Department in the year 2012 had been rereleased to the Ministry of Sports from that year itself without effecting a formal transfer.

(d) Irregular Utilization of Motor Vehicles belonging to other Institutions

The Department had been using 03 motor vehicles belonging to the Ministry of Sports over periods ranging from 01 year to 10 years without effecting formal transfers.

3:9 Non-compliances

----- Non-compliance with Laws, Rules and Regulations -----

Instances of non-compliance with the provisions in laws, rules and regulations observed during the course of audit test checks are analysed below.

Reference to Laws, Rules and Regulations	Non-compliance
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(a) Statutory Provisions	

(i) Section 21A(2) of the Sports, Act, No. 47 of 1993	The audited financial statements of every Association should have been placed before the General Meeting before 31 March of the following year. Even though the financial statements for the years 2011 to 2014 had not presented for audit, a sum of Rs.26.32 million had been given to 08 National Sports Associations.
(ii) Sports Associations Orders No. 1792/3 of 15 January 2013 . Order No. 42	Any officer appointed to a post in a National Association or a member of the Committee should, within 14 days from the date of ceasing to hold such post, handover the properties belonging to the National Association held in his charge to another officer or a member of the Committee or the Director General of Sports, instances of Officers and members of committees who had so ceased to hold such posts had failed to do so were observed.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	

(i) Financial Regulation 880	The public officers who are required to furnish security in terms of the Security of Public Officers Ordinance had not furnished security.
(ii) Financial Regulation 1646	The Daily Running Charts and the Monthly Performance Summaries of pool motor vehicles of the Department had not been furnished to the Auditor General within the specified dates.

3:10 Projects implemented from Domestic Financing

Instances of projects abandoned without being commenced, projects abandoned without completing and delays in projects revealed during the course of audit test checks are given below.

(a) Non-convincement of Projects

Twenty nine projects totalling Rs.50,887,808 comprising 9 projects amounting to Rs.9,442,647 of the year 2014 and 20 projects amounting to Rs.44,445,161 had not been commenced even by the end of the year under review. The following observations are made in this connection.

- (i) A cheque for Rs.10,660,715 had been drawn by stating that 10 projects estimated at Rs.9,442,647 in the year 2014 had been completed, retained that cheque in hand for 13 months and wrote back to revenue.
- (ii) Seventeen projects of estimated cost amounting to Rs.35,540,161 had not been commenced. The information relating to the non-commenced of those had not been furnished to Audit.
- (iii) The project estimated at Rs.1,938,000 had not been commenced stating that the terrain of the land is not suitable for the development of the play ground.
- (iv) Two projects of estimated cost amounting to Rs.3,967,000 had not been commenced due to reasons stated as the inadequacy of the extent of the land and problem relating to the boundaries of the land.

(b) Projects abandoned without Completing

The Department had spent a sum of Rs.80,000 by 31 December 2015 for the project on the Development of the Public Play Ground at Hawa Eliya of estimated cost amounting to Rs.9,939,715. The project had been abandoned without completing as the Nuwara Eliya Municipal Council did not give its consent for the implementation of the Project.

(c) Delays in the execution of Projects

Even though 27 projects of estimated value amounting to Rs.2,738 million had been delayed over periods ranging from 19 months to 57 months by 31 December 2015, it had not been possible to complete those projects even by the end of the year under review.

3:11 Performance

The observations on the progress of the Department according to the Annual Budget Estimates and the Action Plan for the year 2015 are given below.

(a) Preparation of Performance Reports

The performance could not be compared with the targets due to the failure to prepare the performance reports.

(b) Activities not executed adequately

The following observations are made.

- (i) The projects not included in the Annual Action Plan furnished to the Audit had been commenced in the year 2015.
- (ii) According to the Cabinet Memorandum No. 2011/14 dated 06 July 2011 a District Sports Complex should include a Swimming Pool 50 metres in length. Contrary to that, action had been taken for the construction of Swimming Pools 25 metres in length in the District Sports Complexes.

3:12 Deficiencies in the Operation of Bank Accounts

Balances for Adjustment

The information relating to the transactions for adjustments revealed at an analysis of the adjustments made in the Bank Reconciliation Statement for December 2015 prepared by Department of Sports Development is given below.

Particulars of Adjustment	Age Analysis		Total
	Over 6 months less than 01 year	Over 01 year less than 03 years	
(i) Unrealized Deposits	--	20,910	20,910
(ii) Cheques issued but not presented for payment	10,790,819	9,587,644	20,378,463
(iii) Unidentified Debits	472,517	21,858,944	22,331,461
(iv) Unidentified Credits	53,395	802,754	856,149

3:13 Irregular Transactions

Deviation from the Government Procurement Guidelines

The following deviations from the Government Procurement Guidelines Process were observed during the course of audit test checks.

(a) Purchase of Equipment for the Shakthi Wardhana Centres

According to the Guideline 2:14:1 of the Government Procurement Guidelines, the limit of the Department Procurement Committee for goods and services other than consultancy services is Rs. 10 million. Contrary to that, the approval of the Departmental

Procurement Committee had been granted for the purchase of goods valued at Rs.23.64 million. The relevant bid documents as well had not been furnished to Audit.

(b) Construction of the Mannar District Sports Complex

The total estimated cost of the construction of the Swimming Pool, the Indoor Stadium and the Track of 400 metres of the Project on the Construction of the Mannar District Sports Complex amounted to Rs.204.81 million. Separate bids had been invited for each construction work and the contracts had been awarded on 03 August 2015. Mobilization Advances amounting to Rs. 45.96 million had been paid for these 3 contracts by the end of the year under review.

The following observations are made in this connection.

- (i) The Procurement Entity had not confirmed that it had taken action in terms of the Guideline 2:3:1 of the Government Procurement Guidelines for the completion of all activities necessary for the uninterrupted implementation of the project.
- (ii) Even though action should be taken within 90 days in terms of the Guideline 5:3:10 of the Government Procurement Guidelines to award the contract during the bid validity period, that period had been exceeded by 68 days and 158 days for the award of the contract of the above project.
- (iii) According to the Guideline 8:5:1 of the Government Procurement Guidelines the Secretary to the line Ministry shall within one week of being informed of the determination of the Ministry Procurement Committee, should have informed in writing simultaneously to all the bidders of the selection of the successful bidder and the intention to award the contract to such bidder and should have informed the other bidders to make their representations against the determination of the Ministry Procurement Committee within one week of being so notified. Such action had not been taken in the award of the above contract.
- (iv) According to the Guideline 8:7:1 of the Government Procurement Guidelines the Letter of Acceptance should have been issued within the validity period of the bid. Nevertheless, the Letter of Acceptance for the award of the contract for the above contract had been issued after a delay of 111 days.
- (v) The construction of the Mannar District Sports Complex had not been completed in accordance with the Cabinet Memorandum No. 2011/14 dated 6 July 2011 even by 30 November 2016, the date of audit. As such the Department had failed to achieve the expected objective.

3:14 Management Weaknesses

The following management weaknesses were observed during the course of audit test checks of the transactions of the Department.

(a) Regulation of Sports Associations

The following observations are made.

- (i) The Department of Sports Development had given a sum of Rs.88.48 million in the year 2015 without specifically identifying the performance and the areas for which provision should be given. Provision had been given without carrying out an analytical evaluation whether the National Sports Association expecting grants from the Ministry had, in terms of Section 3.5 of the National Sports Association Orders No. 01 of 2013 published in the Gazette Extraordinary No. 1793/3 dated 15 January 2013, included the relevant grants and the utilizations relating thereto in the Annual Budget prepared by such National Sports Association.
- (ii) Eight Sports Associations had not presented the financial statements in respect of the years 2011 to 2015. Grants amounting to Rs.68.66 million had been given to those Associations. Follow-up action had not been taken for ensuring whether such grants given had been properly used.
- (iii) According to Section 35 of the Notification published in the Gazette No. 1758/23 dated 16 May 2012, provision had been made for obtaining tax exemption for the private institutions sponsorship for the development of sports. Nevertheless, the Department had not implemented any programmes whatsoever for the purpose of obtaining sponsorships to the Sports Associations from the private sector. As such, the Sports Associations had to carry out their activities only from the financial provisions of the Government.

(b) Construction of Sports Grounds and Sports Complexes

The following observations are made in this connection.

- (i) Provision amounting to Rs.78.87 million had been made in the year under review for the implementation of 36 projects not included in the Annual Action Plan. The physical progress of those projects had not been reported in the Performance Report.
- (ii) Even though one of the objectives of the Guideline 1.2 of the Government Procurement Guidelines is ensuring the timeliness and quality of procurement, the contracts of 38 construction works relating to the construction of 6

Swimming Pools estimated at Rs.208 million, an Indoor Stadium estimated at Rs.91 million and a Track estimated at Rs.54 million to a contractor who had delayed and completed with defects a previously awarded contract.

3:15 Human Resources Management

 Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2015 had been as follows.

Category Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Excess
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(i) Senior Level	14	08	06	--
(ii) Tertiary Level	04	01	03	--
(iii) Secondary Level	254	186	68	--
(iv) Primary Level	52	43	09	--
(v) Others (Casual/ Temporary/ Contract Basis)	--	02	--	02
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Total	324	240	86	02
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The following observation is made.

Two employees had been recruited to two casual posts without obtaining the formal approval.