

Head 219 – Department of Sports Development

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Department of Sports Development for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance and cash flow statement for the year then ended 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 to be read in conjunction with provisions of the National Audit Act No.19 of 2018. The summary report including my comments and observations on the financial statements of the Department of Sports Development was issued to the Accounting Officer on 30 May 2019 in terms of Section 11(1) of the National Audit Act No.19 of 2018. The Annual Detailed Management Audit Report relating to the Department was issued to the Accounting Officer on 28 May 2019 in terms of Section 11(2) of the Audit Act. This report will be tabled in Parliament in pursuance of the provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act No.19 of 2018.

In my opinion, except for the effects of the matters described in the paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Department of Sports Development as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements 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 Responsibility of the Chief Accounting Officer and the Accounting Officer on the Financial Statements

The Chief Accounting Officer and the Accounting Officer are responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and the provisions in Section 38 of the National Audit Act No.19 of 2018 and for the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Section 16(1) of the National Audit Act No.19 of 2018, the Department is required to maintain proper books and records of all its income, expenditure, assets and liabilities to enable the preparation of annual and periodic financial statements.

In terms of Sub-section 38(1)(c) of the National Audit Act, the Chief Accounting Officer and Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

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 summary 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 judgement 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 procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- 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.

I communicate with the Accounting Officer regarding, among other matters significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5 Report on Other Legal and Regulatory Requirements

I express the following matters in accordance with Section 6(d) and Section 38 of National Audit Act No.19 of 2018.

- (a) Since there was no need for the preparation of financial statements by the Department of Sports Development for the preceding year, it could not be stated that the financial statements presented was consistent with the preceding year.
- (b) Since there was no requirement for the Department to prepare financial statements for the preceding year, recommendations on the financial statements had not been made.

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Position

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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The value of property, plant and equipment as at 01 January 2018 had been shown as Rs.1,312,337,455 in the statement of financial position presented for the year under review while it was shown as Rs.107,593,066 in the statement of non-financial assets. Accordingly, a difference of Rs.1,204,744,389 was shown.	Action should be taken to identify the reasons for the difference and to rectify it.	The value of property, plant and equipment of the year 2017 amounted to Rs.1,312,337,455 was shown based on the Treasury records. The work-in-progress balances of Rs.1,272,115,674 was not included in the value of the property, plant and equipment as at 01 January 2018 amounting to Rs.107,593,066 in the statement of non-financial assets and as such there was no possibility to include the opening balances. The values of the assets assessed in the year 2018 had been included in the opening balance by the Treasury records and that assessed value of

Rs.67,371,286 was included in the above value of Rs.107,593,066.

1.6.2 Non-maintenance of Registers and Books

The following observation is made.

Audit Observation	Recommendation	Comments of the Accounting Officer
Register of Electrical Equipment		
The Register of Electrical Accessories and Equipment had not been updated.	Action should be taken in terms of Financial Regulation 454(2)	The instructions were given to the Director (Engineering) to maintain the Register of Electrical Equipment.

1.6.3 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.

Audit Observation	Recommendation	Comments of the Accounting Officer
Reference to Laws, Rules and Regulations		
Establishments Code of the Democratic Socialist Republic of Sri Lanka.		
Chapter XII Section 2.1	Even though, the maternity leave for the House Warden of the Hostel of the Reid Avenue had been approved from 01 September 2018 to 01 April 2019 action had not been taken to cover up the relevant duties.	In approving leave to the officers action should be taken to execute the duties from other officers. Necessary actions will be taken in future to avoid this type of problems.

2. Financial Review

2.1 Imprest Management

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
----- According to the Imprest Estimate prepared by the Department for the year under review the imprests expected and requested amounted to Rs.6,462.9 million. But the imprests received thereon from the Treasury had been Rs.2,024 million. The works such as the project of construction of Wittsvike Park Swimming Pool amounting to Rs.73 million, project of Sports Complex of 17 th lane amounting to Rs.21 million and the infrastructure development works could not be executed due to the reasons such as the works had been taken to implement at the end of the year without being executed in due periods and the Treasury had not provided the required imprests.	----- The imprests should be obtained as planned and the respective works should be completed.	----- The constructions could not be completed during the year 2017 due to non-receiving of financial provisions and the several other reasons. Even though, it was informed that the required provisions will be made from the Department of National Budget the provisions were not made available and the constructions had remained in a slow position.

2.2 Expenditure Management

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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Budgetary Variance		

(a) Entire provisions of Rs.01 million made for an Object had been saved without being utilized.	Action to be taken in terms of Financial Regulation 50.	The entire net provisions were saved due to not carried out expected expenditure.
(b) Excess provisions had been made for 25 Objects and as such the savings after the utilization of provisions ranged between 12 per cent to 95 per cent of the net provisions relating to the respective Objects.	Action to be taken in terms of Financial Regulation 50.	The decisions taken relating to the projects were very slow and it was the reason for the savings.

3. Operating Review

3.1 Project without Progress despite the release of Money

The following observation is made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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The project to identify the children who had sports talents of the age group of 13-14 years on a scientific basis and to get ready for the Olympic tournament which will be held from the year 2024 to 2028 had been approved by the Department of National Planning. The provisions totalling Rs.474 million had been made for this project which had been planned to implement from the year 2016 to 2018, and a sum of Rs.132.1 million had been incurred thereon by the end of the year under review. This project had been paused in the year under	Other plans required to execute the planned activity and the time frame should be planned accurately.	The projects temporary paused due to problematic situations in implementation of the project. The discussion are made with the Ministry of Education to commence that project under a new arrangement.

review but the progress and the reasons for the pause of the project had not been furnished to audit.

3.2 Delays in Execution of Projects

The following observation is made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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The provisions of Rs.1,000 million had been made for the construction of 12 District Sports Complexes and 7 Provincial Sports Complexes under the constructions of provincial and District Sports Complexes. The construction works of 10 District Sports Complexes and 07 Provincial Sports Complexes had been commenced in the year under review and a sum of Rs.692 million had been incurred thereon. Out of above, the works of 6 District Sports Complexes and 2 Provincial Sports Complexes had been completed and the works of balance 4 District Sports Complexes and 5 Provincial Sports Complexes had not been completed.	The required time frame to execute the planned activity should be arranged accurately.	The Sports Complexes of Anuradhapura, Matara, Polonnaruwa, Puttalama, Digana, Bandaragama, Kilinochchi, Kegalle and Batticaloa had been opened to the public utility by the time. The sports complexes of Galle, Ampara, Ratnapura, Matale will be due to open for the public at the end of June 2019 and the other sports complexes are proposed to open for public utility before end of the year 2019.

3.3 Management Weaknesses

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Non-recovery of overpaid salaries in Conversion of Salaries	Action to be taken in terms of Financial Regulation 119(1)	These money is being recovered from the respective officers.
----- The salaries had been overpaid in conversion of salaries relating to the promotions of the officers in the sports field to the posts of project officer of the combined		

service. A sum of Rs.1,197,957 from 26 officers who are in the service and a sum of Rs.496,524 from 5 officers who were retired had not been recovered even by 31 December 2018. Further, the retirement of one officer who had not completed the age of 55 years had been approved from 8 April 2017 while action had not been taken to recover salaries over paid for that officer.

- (b) According to the Reconciliation Statement of the advances to Public Officers Account, the balances that remained outstanding as at the end of the year under review totalled Rs.151,786. Even though, those outstanding balances remained over a period of 5 years the Department had failed to recover the outstanding balances.
- The provisions of the Section 4 of Chapter XXIV of the Establishments Code should be followed. Action is being taken to recover the respective money.

3.4 Assets Management

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Idle and Under-utilized Assets		

(i) A cab vehicle belonging to the Department had remained idle and under-utilized for a period of one year.	Action to be taken in terms of the Public Finance Circulars No.353 dated 30 September 1997, No.438 dated 13 November 2009 and No.353(5) dated 03 January 2003 and Financial Regulation 771 in respect of idle and under -utilized assets.	It was referred for the repairs.
(ii) The Electronic Weight Lifting Judgement Signal System	The assets belonging to the Government should be utilized efficiently and	An internal audit report in this regard had been called and proposed to commence disciplinary actions against

equipment valued at Rs.12,995,000 taken over by the stores on 23 December 2016 had not been utilized even by 31 December 2018.

effectively. the officers based on that. The respective institution had been informed by writing to provide this additional articles but they had rejected that. However, action will be taken to utilize this set of goods by obtaining additional items on rental basis in the future tournaments with the intention of to obtain any utilize from these sets of item of goods.

(b) Conduct of Annual Boards of Survey

 Action on the excesses and shortages pointed out and the other recommendations made in the reports of the Boards of Survey for the year 2017 had not been taken in terms of the Financial Regulations 752(4) and 770.

Action should be taken in terms of the provisions of the Public Finance Circular No.05/2016 dated 31 March 2016.

The officers of the Department were deployed for the Districts in which had not been finalised the Boards of Survey due to the omissions occurred and those works are being finalized.

3.5 Procurements

 The following observation is made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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A sum of Rs.54,625,367 had been incurred during the year under review for the food expenses of the players of the national pools contrary to the Guideline 1.2 of the Government Procurement Guidelines.	Action to be taken in terms of the Guideline 1.2.1 of the Government Procurement Guidelines.	Accepted. Action is being taken to regularize the activities of the hostel. All purchases for food are being made in accordance with the procurement process at present and the purchases of food are being made from the Mark Fed which is the affiliated institute of the Government. A new system of registers is being prepared to create a proper internal control system in respect of supplying of food. A computer software will be

introduced thereon in future.

4. Sustainable Development

4.1 Execution of Sustainable Development Goals

The following observation is made.

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
The Department had aware in respect of the 2030 Agenda of the United Nations Organizations relating to the developed goals on Sustainable Development through internet and the relevant circulars. Due to non-adequacy of the staff a methodology was not made available to collect data so as to represent all parties to monitor the respective activities in execution of Sustainable Development Goals.	In execution of Sustainable Development Goals the activities of the Department should be duly identified and action to be taken accordingly.	Accepted. A lot of duties had been entrusted to this Department and as such it was difficult to collect data. However, necessary action is being taken to collect data by utilizing the information technology at present.

5 Good Governance

5.1 Execution of Services for the Players

The following observations are made.

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Dining Hall and Hostel of the Players -----		
(i) Proper internal control system had not been implemented in respect of the goods purchased for the kitchen of the hostel and it was observed the under mentioned matters. * Non-maintenance of	A proper register in respect of receipts and issues of goods purchased for the kitchen should be maintained.	Accepted. Action will be taken to solve the problems in future. Applications had been called to recruit the necessary staff as well.

material order books.

- * Non-maintenance of a Register for receipts and issues of materials.
- * Failure to issue an invoice with the materials by the supplier.
- * Lack of proper supervision for the receipts of food items.
- * Non-availability of a name list of players who obtain food.

- (ii) Sixty five officers employed in the Department and the Ministry of Sports had resided in 2 hostels of the players belonging to the Department situated near the Torrington playground and the Reid Avenue respectively. Due to obtain accommodation by the officers in the hostel of players, it was avoided the possibility to provide accommodation for more players. The approval had been obtained from the Secretary to the Ministry to recover a sum as hostel fees from the officers accommodated and it was referred to the Government Valuer to decide that fees.

(b) Monitoring of Sports Associations

- (i) A sum of Rs.118,528,187 had been granted to the Sports Associations in the year 2018, without being made an analysed evaluation whether the relevant grants and the utilization thereon had been included in the Annual Budget made by any of the National Sports Association which expected to obtain grants from the Ministry in terms of Section 35 of Directives of National Sports Associations No.01 of 2013 published in the Extra-ordinary Gazette No.1793/3 dated 15 January 2013. Action should be taken in terms of Section 35 of the Directives of National Sports Associations No.01 of 2013. Action will be taken to make proper analysis in providing money in future.
- (ii) Thirteen Sports Associations had not furnished financial statements in the year 2017 but Action should be taken in terms of Section 35 of the Directives of National Sports Associations No.01 of 2013. Accepted. Action will be taken, not to provide any provision or any sponsorship

the grants amounting to Associations.
Rs.13,322,649 had been given
for those Associations.
Nevertheless, the Department
had not taken follow-up
actions to ensure whether the
grants provided had been
utilized properly.

for the Sports Associations
who had not furnished
financial statements.