

Sugathadasa National Sports Complex Authority - 2019

1.1 Disclaimer of Opinion

The audit of the financial statements of the Sugathadasa National Sports Complex Authority for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, 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 provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My comments and observations which I consider to be submitted to the Parliament appear in this report.

I do not express an opinion on the accompanying financial statements of the Authority. Because of the significance of the matters discussed in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

1.2 Basis for Disclaimer of Opinion

I do not express an opinion based on the matters described in the paragraph 1.5 of this report.

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 the Financial Statements section of my report.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards 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.

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

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

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

My responsibility is to conduct an audit of the Authority's financial statements in accordance with Sri Lanka Auditing Standards and to issue an auditor's report. However because of the matters described in the Basis for Disclaimer of Opinion section, I was not able to obtain sufficient appropriate audit evidences to provide a basis for an audit opinion on these financial statements.

1.5 Financial Statements

1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standard

Non – compliance with reference to the relevant standard	Management comment	Recommendation
(a) According to the paragraph 12 of the Sri Lanka Public Sector Accounting Standard 03, in the absence of a SLPSAS that specifically applies to a transaction, other event or condition, management shall use its judgment in developing and applying an accounting policy. However the specific accounting policy based for the provision for bad debts which had been shown in the financial statements amounting to Rs. 1,486,109 had not been disclosed in the financial statements.	Actions will be taken to rectify in future.	Financial statements should be presented according to the Sri Lanka Public Sector Accounting Standard.
(b) According to the paragraph 65 of the Sri Lanka Public Sector Accounting Standard 07, the useful lifetime of non-current assets had not been reviewed annually. Therefore even though fixed assets at a cost of Rs. 491,623,034 had been fully depreciated, those assets are still being in operation. Actions had not been taken to revise the estimated error in this regard as per the Sri Lanka Accounting Standard 03.	Actions will be taken to rectify in future.	Actions should be taken to revalue the assets which are still in being used but had been fully depreciated as per the Sri Lanka Public Sector Accounting Standard.

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| (c) | According to the paragraph 15 of the Sri Lanka Public Sector Accounting Standard 9, inventories should be shown in the financial statements measuring at the lower of cost and net realizable value. However the value of inventories had been shown in the financial statements as at 31 December 2019 at the cost of those inventories amounting to Rs. 13,125,629 without assessing the net realizable value of those assets by the Authority. | Actions will be taken to rectify in future. | Value of inventories should be presented according to the Sri Lanka Public Sector Accounting Standard. |
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1.5.2 Accounting Deficiencies

Audit observation	Management comment	Recommendation
(a) The depreciation for the buildings of the outdoor stadium had been overstated in the financial statements for the year under review by Rs. 5,274,741. As a result, the deficit for the year under review had been overstated by the same amount.	Actions will be taken to rectify in future.	The value of depreciation for the non current assets should be taken into accounts correctly.
(b) According to the financial statements, although the receivable interests of fixed deposits as at 31 December 2019 was Rs. 8,427,228, the accurate amount of receivable interest was Rs. 3,087,082. Hence the interest for fixed deposits had been overstated by Rs. 5,340,146. As a result, the current assets which had been shown in the financial statements had been overstated by the same amount.	Actions will be taken to rectify in future.	Actions should be taken to show the correct amount of interests for fixed deposits.
(c) Actions had not been taken to amortize the grants which had been received to the Authority for acquisition of non- current assets during a period of 17 years from the year 2002 to the year 2019 amounting to Rs. 2,428,973,065	Actions will be taken to rectify in future.	Amortization of fixed assets should be calculated correctly and should be taken into accounts.

and 13 grants of Rs. 4,683,493,544 which had not been mentioned the years of those grants had been received.

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| (d) | Income and expenditure of Nation Building Tax had been settled against each other and shown in the financial statements and as a result income and expenditure had been understated by Rs. 2,620,533 in the financial statements of the Authority. | Actions will be taken to rectify in future. | Actions should be taken to show the correct amount of the income and expenditure for the year. |
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1.5.3 Unreconciled Control Accounts or Records

Item	Amount in the financial statements	Amount in the subsidiary records	Difference	Management comments	Recommendation
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	Rs.	Rs.	Rs.		
Receivable from debtors	10,177,372	4,332,943	5,844,429	Actions will be taken to rectify in future	Unreconciled balances should be recognize and should be adjusted to the accounts correctly.

1.5.4 Lack of written evidence to Audit

Audit Observation	Management comment	Recommendation
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Subsidiary records and confirmations of assets and liabilities relating to 14 accounts item amounting to Rs. 7,369 million had not been submitted to audit. Hence those items could not be vouched or accepted in audit.	Actions will be taken to rectify in future.	Adequate audit evidence which can be proved the balances should be submitted.

1.6 Receivable and Payable accounts

Audit observation	Management comment	Recommendation
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(a) Actions had not been taken to recover the balances of trade receivables amounting to Rs. 14,350,656 which had been brought forward from a period of 1 to 12 years.	Actions will be taken to rectify in future.	Proper actions should be taken to recover the receivables without delay.
(b) Balances of trade receivables amounting to Rs. 6,288,763 which were older than 10 years had been written off during the year under review due to unavailability of service agreements without obtaining the approval of the treasury.	Actions will be taken to rectify in future.	Actions should be taken to obtain the necessary approval to write off receivable balances.
(c) Actions had not been taken to settle or to write off the value consisted with capital advances of Rs. 11,704,699 relating to 4 accounts which had been brought forward since 2 years, retention money amounting to Rs. 17,783,204 brought forward for more than 04 years and other payable accounts amounting to Rs. 4,010,921 brought forward over a period of 03 to 06 years.	Actions will be taken to rectify in future.	Auctions should be taken to settle the payable balances brought forward over a long period.

1.7 Non-compliance with Laws Rules Regulations and Management decisions etc.

Reference to Laws, Rules, Regulations etc.	Non compliance	Management comment	Recommendation
(a) Section 13 of the Sugathadasa National Sport Complex Act No. 17 of 1999	Although Board of Management should be met at least once a month , only 6 management meetings had been conducted during the year under review.	Actions will be taken to rectify in future.	Actions should be taken as per the Act.

(b) Financial regulations of the Democratic Socialist Republic of Sri Lanka.

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| (i) | Financial regulation 109 (1) | A sum of Rs. 13,713,615 which had been included in the working progress since the year 2012 relating to construction of 400 meters Synthetic Athletic Track had been written off from the accounts in the year 2016. However copies of the orders for writing off from books had not been presented to the Auditor General. | Actions will be taken to rectify in future. | Actions should be taken as per the relevant financial regulation. |
| (ii) | Financial regulation 880 and 891 | Actions had not been taken to obtain security bonds from the officers who were responsible for cash of the Authority and a register of securities had not been maintained. | Actions will be taken to rectify in future. | Actions should be taken as per the relevant financial regulation. |
| (c) | Declaration of Assets and liabilities Law No. 1 of 1975 as amended by Act No. 74 of 1988. | Actions had not been taken to obtain declaration of assets and liabilities from the staff grade officers of the Authority for the years 2018 and 2019. | Actions will be taken to rectify in future. | Actions should be taken as per the relevant financial regulation. |

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| (d) | Paragraph (e) of sub section 2 of the section 2 of the Economic Service Charge Act No. 13 of 2006. | Although the turnover subject to Economic Service Charge tax of the Authority for a quarter of the year 2019 had exceeded 12.5 million, economic service charge tax had not been paid for a turnover of Rs. 845,222. | Actions will be taken to rectify in future. | Actions should be taken as per the circular instructions. |
| (e) | Paragraph 3.1 of the Public Administration Circular No. 30/2016 dated 29 December 2016. | Fuel consumption had not been test for 09 vehicles of the Authority as per the instructions of the Circular since the year 2013. | Actions will be taken to rectify in future. | Actions should be taken as per the circular instructions. |

2. Financial review

2.1 Financial results

The operations of the year under review had resulted a deficit of Rs. 63,533,031 and the corresponding deficit for the previous year was Rs. 80,179,897. Thus an increase of Rs. 16,646,866 was observed in the financial result. Increase of operational income by Rs. 20,081,374 and the increase of government grant by Rs. 54,650,000 had mainly affected to the said improvement.

2.2 Ratio analysis

Compared with the previous year current ratio had decreased from 2.42 to 0.92 in the year under review. Accordingly ability of settlement of short term liabilities of the Authority had deteriorated compared with the previous year.

3. Operational Review

3.1 Human Resources Management

Audit observation -----	Management comment -----	Recommendation -----
There were 58 vacancies including 07 vacancies in senior level of sections viz. technical, planning, media, electric, internal audit and	Actions will be taken to rectify in future.	Actions should be taken to recruit the approved cadre immediately.

consultancy. However the Authority had failed to fill these vacancies and further the Authority had failed to get the scheme of recruitments approved from the Department of Management Services for recruiting the new staff.

4. Accountability and good Governance

4.1 Budgetary Control

Audit observation	Management Comment	Recommendation
<p>According to the paragraph 5.2 of the Public Enterprises Circular No. PED/12 dated 02 June 2003, a budget should be prepared before the commencement of each year for an effective financial control. However actions had not been taken by the Authority to prepare a budget for the year under review and to get it approved from the Board of Governors. Further actions had not been taken to prepare an action plan for the year 2019 including the targets and objectives which should be achieved during the period of time and to get it approved from the Board of Governors according to the paragraph 5.1 of the Public Finance Circular No.01/2014 dated 14 February 2014.</p>	<p>Actions will be taken to rectify in future.</p>	<p>Budgeted estimates should be prepared accurately and it should be used of as an effective instrument of control. Further variations should be taken into consideration.</p>