

National Sports Fund - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the National Sports Fund for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 the 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 the Finance Act No. 38 of 1971. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the fund as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

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 management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the fund'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 fund or to cease operations, or has no realistic alternative but to do so.

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

As per Sub Section 16(1) of the National Audit Act No. 19 of 2018, the fund 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 fund.

1.4 Auditor's Responsibility 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 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 judgment 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 audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the fund to cease to continue as a going concern.
- 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.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the fund, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the fund has complied with applicable written law, or other general or special directions issued by the governing body of the fund ;
- Whether the fund has performed according to its powers, functions and duties; and
- Whether the resources of the fund had been procured and utilized economically, efficiently

and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the preparation of Financial Statements

1.5.1 Accounting Deficiencies

Audit Observation	Management Comment	Recommendation
<p>Rs. 2,000,000 to be given to the Sri Lanka Table Tennis Association for participating to the 2021 World Championship Table Tennis champions in Korea has been reimbursed to the Sports Fund due to the indefinite duration of the tournament under the corona epidemic. So, when reaccrediting that money to the sports fund, the cancellation of the cheque was included in other income as sponsorship income, without deducting this expense from the international competition expenses of the financial statements. Due to improper accounting of this transaction, the cost of international tournaments had increased by Rs. 2,000,000 and other income by Rs. 2,000,000.</p>	<p>Although that cheque for Rs. 2 million should be canceled and credited to the relevant expenses, I acknowledge that it has been noted as a sponsorship by mistake. But, for this reason the overall result of the financial statements has not been affected and it is advised to take action to prevent such mistakes in future.</p>	<p>Should be prepared financial statements in properly.</p>

1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules, regulations etc.	Non-compliance	Management Comment	Recommendation
Financial regulations 570 of the Democratic Socialist Republic of Sri Lanka.	Within 2 years from the date of deposit, action had not been taken about 02 expired deposits amounting to Rs. 10,000 and Rs. 120,000 which had not been claimed.	Proceedings are carried out for deposits over a period of two years as at 19.11.2019 in accordance with Financial Regulations 571	Should be act in accordance with Financial Regulations.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a deficit of Rs. 79,788,742 and the corresponding deficit in the preceding year amounted to Rs. 6,495,404. Therefore a deterioration amounting to Rs. 73,293,338 of the financial result was observed. The main reasons for the deterioration were revenue of the fund decline by Rs. 28,363,693 and income increase by Rs. 44,929,644.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
It is essential to uplift the local sport as the development of the sport at the grassroots level should be initiated to encourage, enhance and develop the sports in Sri Lanka. Accordingly, although the aim of the Association is to sponsor organizations, parties and individuals who contribute to the advancement of the local sports, it was observed that there was no specific inspection to whether the proceedings are in formally and the funds provided thereby contribute adequately to the development of the sports.	Attention has been paid to the observations made and steps are being taken to formulate a procedure for action to be taken in awarding sponsorship form the sports fund and I would also like to inform you that the contribution made by these sponsors to the development of the sport will also be inspected.	Action should be taken to develop a formal system to check the achievement of the expected performance of the sports fund.

3.2 Operational Inefficiencies

----- Audit Observation -----	Management Comment -----	Recommendation -----
<p>The estimated total amount of Rs. 9,157,993 for the construction of a building for the Mathara Kamburupitiya Boxing Stadium and the construction of the Kamburupitiya Volley ball ground was given to the Mathara District Secretariat. Prior to given money, the information were not collected about feasibility reports, field inspection reports, number of members in the sports club and no action had been taken to repay the remaining Rs.2,538,933 to the sports fund by 31 December 2021 after completion of the work.</p>	<p>The engineers of the Ministry have conducted a field investigation into these matters and I will submit a detailed answer to this after receiving their report.</p>	<p>When funding in sports development activities, should obtain the required feasibility reports, field inspection reports etc and be satisfied with the effectiveness of the investment and payment should be made after determining the correct amount of funds to be spent on development activities and action should be taken to get the balance amount to the fund without delay.</p>