

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 2020 comprising the statement of financial position as at 31 December 2020 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 read in conjunction with provisions of the National Audit Act, No.19 of 2018. The summary report containing my comments and observations on the financial statements of the Department of Sports Development was issued to the Accounting Officer on 22 November 2021 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the Department was issued to the Accounting Officer on 18 October 2021 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. This report is presented to the Parliament in pursuance of 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 paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Department of Sports Development as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements is further described in the Auditor's Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Financial Statements

The Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and 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 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 and its materiality depends on the influence on economic decisions taken by users 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:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained 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 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.
- Evaluate the overall presentation, structure and content of the financial statements including 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 Requirements

I express the following matters in terms of Section 6 (1) (d) of the National Audit Act, No. 19 of 2018.

- (a) The financial statements are consistent with the preceding year,
- (b) The recommendations made by me on the financial statements of the preceding year had been implemented.

1.6 Comments on Financial Statements

1.6.1 Non-compliance of Financial Statements with Circular Provisions

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
Rs. 32,791,686 Value Added Tax was added to the commencement of work advance balance amounting to Rs. 214,180,540 in the financial statements and accordingly, it was observed that the advance balance on commencement work in the financial statements has increased by Rs. 32,791,686 as at 31 December 2020.	I would like to inform you that action will be taken to change our accounting system in future and that the above methodology was followed as per the instructions of Public Accounts Circular No. 2016/250(i) dated 2016.08.03.	Rent and work advances should be properly accounted in accordance to the guideline No. 06 issued by the Department of Public Accounts.

1.6.2 Non-Financial Assets

Audit Observation	Comments of the Accounting Officer	Recommendation
Play grounds and hostels have been established at 09 places belonging to the department and these assets have not been accounted.	No comments.	Arrangements should be made to account these assets in the relevant assets registers.

2. Financial Review

2.1 Imprest Management

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The imprest amount applied by the department for the year under review was Rs. 4, 890.9 million and the imprest amount received from the treasury was Rs. 1,314.8 million. It was observed that the infrastructure development work could not be carried out properly due to non-fulfillment of the work of the action plans on time, action to be taken at the end of the end of the year and non-availability of the required imprest by the treasury.	Due to the provision of funds by the treasury in many cases, it is difficult to properly plan the annual action plan as a whole and the activities to be carried out accordingly. Relevant officials have been instructed to prepare the plans in properly and implement.	The imprest should be obtained as planned and the relevant work should be completed.

2.2 Expenditure Management

Audit Observation	Comments of the Accounting Officer	Recommendation
<u>Preparation of annual budget estimates</u> The total net capital provision provided by Parliament for the department to perform the functions was Rs.999,046,000 and Rs. 792,201,162 had been utilized at the end of the year under review. Accordingly, it was observed that Rs. 206,844,832 or 20.7 percent had been saved from the net allocation.	Accepted.	Estimates need to be properly prepared in accordance with Financial Regulations.

2.3 Incurring Liabilities and Commitments

Audit Observation	Comments of the Accounting Officer	Recommendation
All liabilities pertaining to a particular financial year should be paid and released during that year in terms of 2(d) of the Public Accounts Circular No. 255/2017 dated 27 April 2017 and any liability should not be carried forward with the intention of settling within the next year. However, the provisions of Expenditure Subject No. 21-2-2-2-1409 (International Sports) which were not mentioned as liabilities exceeded the provisions of Rs. 36.61 million and Rs. 37,877,351 was spent during the year under review.	Out of the estimated cost of Rs. 344 million for the South Asian games, only Rs. 250 million was received from the treasury and due to non-receipt of the Rs. 100 million allocated by the treasury to the National Olympic Committee and also it is an international competition, sports teams had to participate.	When entering into obligations, required to be complied with Financial Regulations and Circulars.

2.4 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 analyzed below.

Audit Observation	Comments of the Accounting Officer	Recommendation
Reference to the Non-compliance Laws, Rules and Regulations Public Administration and Management Circular No. 05/2008 dated 06 February 2008 as amended by Circular No. 05/2008 (1) dated 24 January 2018.		

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|-----|---------------|--|--|---|
| (a) | Paragraph 2.3 | It was observed that the institution had not prepared, implemented, supervised and evaluated the citizen/ client charter in accordance with the citizen/ client charter. | The citizen/ client charter is currently being prepared. | Should be followed the circular instructions. |
| (b) | Paragraph 6.5 | It was observed that although annual performance agreements had to be signed for the entire staff, they had not been complied with that. | It was noted to act in future. | -Do- |

2.5 Issuance and Settlement of Advances

Audit Observation	Comments of the Accounting Officer	Recommendation
It was observed that, due to the non-availability of the loan file pertaining to the loan balance of Rs. 58,450 which is more than 15 years old of an officer and the service period had not been completed for 5 years, the loan could not be recovered from the death gratuity.	Arrangements have been made to inform the heirs to repay the loan.	Action should be taken to recover the outstanding loan balances without delay.

2.6 Deposit Balances

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>If not claimed project fund deposits other than deposits for land requirements within a period of 02 years from the date of completion of the project and 02 years from the date of deposit of all other deposits as per Financial Regulations 570, they are considered as overdue deposits and overdue deposits should be credited to the relevant account or government revenue as the case may be in accordance with Financial Regulations 571, However, it was observed that 51 deposits amounting to Rs. 17,741,534 as at 31 December 2020 had not been compiled as per Financial Regulations as at 01 April 2021.</p>	<p>I will act about overdue deposits in future.</p>	<p>Should be act in accordance with Financial Regulations 570 in regarding to overdue deposits.</p>

3. Operational Review

3.1 Non-performance of functions

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>It was estimated that 22 new projects would be implemented in the year 2020, while 28 uncompleted projects had been implemented in the year 2020. Work on 16 projects related to previous years and 12 projects in the year 2020 had been completed during the year under review. In addition, 06 projects had been abandoned in the year 2020 and 16 projects were yet to be completed.</p>	<p>Out of 21 new projects in the year 2021, construction of 04 projects has been completed and construction of 06 projects was not awarded due to problematic conditions and 04 out of 27 uninterrupted projects have been completed and work on one project has been abandoned and work on 04 projects is yet to be completed.</p>	<p>Action should be taken to identify the needs and prepare the plans properly in such a way as to implement projects in the stipulated time period and to take action within the stipulated time frame.</p>

3.2 Non-achievement of expected output level

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a) Creating the current lighting system on the hockey field</p> <p>Although the specifications required for the playground lighting system was designed to most clear visible to audience and applicable to television, the height of a pole was not specifically mentioned. But, according to the specifications of the International Hockey Federation, the height of a pole should be 20 meters, but the height of an established pole was 16 meters. Accordingly, it was not possible to convert it into a first class artificial hockey playground in future due to a lack of commitment. Accordingly, the playground became unusable at night due to the lack of proper lighting at night.</p>	<p>An electric lighting system has been developed in the stadium. Accordingly, a second class lighting system has been set up with considering the competition of this playground.</p> <p>Accordingly, the relevant lighting system has been designed according to the distance and the inclination of the lighting system. The height of the pole is determined by the distance from the pole to the playground and the height of the pole is set to 16 meters in according to the decision of the International Hockey Federation. It is also has an international standard second class lighting system. I would like to inform you that several international level competitions have been held so far.</p>	<p>Projects should be designed and implemented in such a way that the desired objectives can be achieved and the performance can be maximized.</p>
<p>(b) Development of Galewela District Public play gorund</p>	<p>The project was carried out by a Land Reclamation and Development Company and the money was paid through the bills of the development project of</p>	<p>Project construction should be managed and regulated.</p>
<p>(i) The development work of this play ground was awarded to the Land and Land Reclamation and Development Company at a cost of Rs. 11,008,947 (Tax free) in the year 2014 and an advance of</p>		

Rs. 2,464,884 was paid. The Kingswood College, company had not implemented the Kandy. project and had withheld the advance for a period of 18-23 months to repay.

- (ii) The Central Engineering Consultancy Bureau (CECB) has prepared an estimate of Rs. 16,039,750 for projects and instead of following the competitive bidding system in the year 2016, the market price comparison system was followed and the contract was awarded to a private construction company for Rs. 14,831,000 and Rs. 2,966,200 had been paid as commencement advance in the year 2016. I accept. Need to manage public funds efficiently.
- (iii) Problems of the construction of the playground were mentioned by the contractor as flooding of the playground when the lake adjacent to the playground fill with water, increasing the level at which the soil should be filled, increasing the length of the tank drain from 272 to 470m, the area to be planted with grass in the scaffolding is 6500 cubic meters, but it had been amended to 14,500 square meters and that the existing building had not been mentioned in the deed and it was informed to the Director General of the department. I accept. Projects should be planned in accordance with the prescribed standards and construction work should be managed and regulated.
- (iv) Due to the location of the proposed 400 meter running track across a rural road, the track was reduced to 200 meters without being set up to the required standard and social and environmental impacts were not considered in the preparation This has occurred due to the proposal to construct this as a rural playground on the allocations received as a 200 meter running track and lifting sluice gate of the lake. -Do-

of engineering estimates. Due to non-preparation of engineering estimates, 58 percent of the work subjects were removed and a revised estimate was submitted by the contractor adding only the ground work to the value of Rs. 9,290,000.

- (v) The project could not achieve the desired performance for the incurred cost due to the irregular drainage of water, many parts of the stadium were flooded with rain water and the surface of the playing area was paved with gravel and making it difficult for children in the area to practice sports.
- Provisions for this have been requested for the year 2022.
- Projects should be planned in accordance with the prescribed standards and construction work should be managed and regulated.

(d) **Operations of the Northern Province Sports Complex Kilinochchi Swimming Pool**

The construction cost of the provincial level sports complex in Kilinochchi was Rs. 375,060,183 and it was opened on 17 March 2019. The swimming pool had three water filters installed and a filter malfunction caused the pipe systems to break and not be able to filter the water adequately during the year under review. It was observed that sand enters the pool through the vacuum system due to not working the vacuum system of the pool and the leaking connection of the pipe to the vacuum system. The pavilion on north side and the entrance on the south side had not been built as at December 2020 and due to that, it was dusty near the swimming pool during the windy season. Construction had not been carried

Currently, all the defects have been rectified and the swimming pool is being maintained. I further informed that the construction of the above mentioned entrance gate can be done on future provisions.

Procurement is currently underway to be given 05 shops in the Kilinochchi Sports complex swimming pool premises to private investors in future.

Maintenance should be done after the construction of the project that can be obtained desired benefits.

out to the required standard when supplying electricity to the water motor. Although it had been spent two years since the construction of the swimming pool was completed in 05 shops in the premises, no action had been taken to rent the shop. Although there were 06 contract workers and 04 ground assistants in the premises of the Kilinochci Sports complex, the environment around the swimming pool was not properly cleaned and maintained.

3.3 Delays in the Execution of Projects

Audit Observation	Comments of the Accounting Officer	Recommendation
It was observed that there were delays in the execution of 25 projects for which annual estimates had been made.	Delays in execution. Acceptance, delay, non-completion, availability of power supply, insufficient supply, suspension of construction and subsequent issuance of permits as the site was archeological value, causing problems between the consulting firm and the contractor of the construction of projects and the problems with the National Machinery Institute, which was entrusted with the construction of the projects were caused for the delay on the projects.	The time frame for construction should be planned in accurately and the construction work should be supervised and regulated to complete the planned tasks.

3.4 Assets Management – Annual Board of Survey Reports

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The board of survey 2020 found that there were 4509 unities of extra 190 items which were not included as receipts in the inventory book in accordance with Financial Regulations 751 or in the books of the stores prepared in accordance with Financial Regulations 763.	All Divisional Heads have been instructed to comply with Financial Regulations 751 and 763.	Assets should be properly accounted and complied with in accordance to the Financial Regulations 751.
(b) It was observed that following the existing procedures under section 103 (1) and after taking action no action has been taken to remove the goods from the inventory books, stock books etc. in relation to the Financial Regulations 760 related to a deficiency of 411 units for 48 items identified in the board of survey 2020.	Relevant deficiencies have been reported.	Assets control and assets management should be implemented with proper internal control.
(c) Although the process of designing, supplying, installing and testing the current lighting system at the Reed Avenue hockey ground, owned by the Department of Sports Development was completed on 08 August 2017, it was observed that no action has been taken yet to include the fittings worth Rs. 25,832,600 to the inventory.	Relevant Divisional Heads and officers in charge have been instructed to maintain in according to the Financial Regulations 752/2.	Assets should be properly accounted and complied with Financial Regulations 751.

3.5 Assets Management – Vehicle Utilization

The following observation is made.

Audit Observation	Comments of the Accounting Officer	Recommendation
Although a van belonging to the Department was temporarily released to the media unit of the Ministry of Youth and Sports on 21 January 2019, it was observed that no action had been taken to obtain it for the department or hand it over to the Ministry of Youth and Sports by 05 July 2021.	The formats related to the transfer have been sent to the ministry. As the vehicle has been obtained under the lease, the Department of National Budget has been informed to obtain the registration certificate of the vehicle.	Assets management should be done properly.

3.6 Security for public officers

The following observation is made.

Audit Observation	Comments of the Accounting Officer	Recommendation
Bail should be granted in accordance with the 612 authority which is Bail Ordinance of government officers, receiving or holding government money, revenue stamps or goods in according to the Financial regulations 880, otherwise that the officers who are administratively responsible for the distribution of government money or the issuance of stamps or goods, or those who have been entrusted with the task or sign the vouchers, certification cheques relevant to the government account are honestly performing their duties, but it was observed that the officers of 08 posts had not acted accordingly.	Officers who have not yet been deposited bails have been deposited bails to apply for the post and action will be taken to complete the process in future.	Should be act in accordance with Financial Regulations 880.

3.7 Management Weaknesses

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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Maintenance and administration of Galle Dadalla District sports complex belonging to the Department.		
(a) The total estimated cost for the Galle Dadalla District sports complex constructed on a land owned by the Urban Development Authority was Rs. 370.699 million and the total cost was Rs. 293.828 million as at 31 March 2021. It was observed that the Department of Sports Development had not taken action to take over the ownership of the land on which the playground was constructed before the Department of Sports Development entered into a business Memorandum of Understanding with the Sri Lanka Volleyball Federation for the administration and maintenance of this sports complex. Further, no action had been taken to agree or obtain approval from the Urban Development Authority prior to entering into this Memorandum of Understanding.	A letter has been sent to the Director General of Urban development on 12.08.2021 to obtain the approval of the Urban Development Authority regarding the handing over of the administration and maintenance of the Galle District sports complex to the Sri Lanka Volleyball Federation. Follow-up work is being carried out in this regard.	Prior to entering into a Memorandum of Understanding, should be considered to the legality of the land on which the project was constructed.
(b) Although the cabinet has approved the construction of these sports complexes for the management of the District Sports Complex to be carried out by the Provincial department of Sports Development, on the contrary to that, a Memorandum of Understanding (MoU) was signed between the Director General of the Department of Sports Development and the Chief Secretary of the Sri	Notes were taken to action in this regard.	Action should be taken in accordance with the decisions of the cabinet ministers and the legal provisions.

Lanka Volleyball Federation on 26 September 2020 to enter into a business agreement to hand over the maintenance and administration of this sports complex to the Sri Lanka Volleyball Federation for a period of 30 years from 06 September 2020 to 25 September 2050. It was observed that this MoU had not been certified by a lawyer and it had not been obtained confirmation of the legal validity of the terms of the agreement.

- (c) It was observed that the procedure for allocating the premises of the playground for sports activities had not been submitted annually in accordance to paragraph 13 of the agreement and the Board of Governors had not submitted a detailed report on the allocations, payments and the income and expenses of the account to the Director General of the Department of Sports Development
- The Memorandum of Understanding states that the Board of Directors is required to submit a detailed monthly report on cash payments and the income and expenses of the account. The Board of Directors will be reminded of this and action will be taken in the future to obtain the relevant reports.
- Should be act in accordance with the agreed agreements and carrying out proper management.

4. Achievement of Sustainable Development Goals

The following observation is made.

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>The department of Sports Development had set 06 targets for 03 sustainable development goals and identified 06 achievement indicators for those goals. According to the 2020 performance report, it was observed that the achievement progress of the</p>	<p>Progress could not be made due to non-participation in sports due to Covid epidemic.</p>	<p>Action should be taken to achieve the required targets in order to make the necessary progress to achieve Sustainable Development Goals.</p>

international medals in recognized sports competitions and championships, which is an achievement indicator of achieving Olympic fitness level and achievement in 05 major sports by the year 2028 for the sustainable development goals for the year under review was only 5 percent. In addition, it was observed that no action had been made on the 05 indicators of victory for the remaining five targets.

5. Human Resources Management

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>There were 02 senior level vacancies, 09 tertiary level vacancies, 78 secondary level vacancies and 24 primary level vacancies in the approved staff carder of the Department of Sports Development as at 31 December 2020 and no action had been taken to fill the 56 vacancies related to the 02 senior level posts and 08 posts related to sports activities which have a great impact on the performance of the department and the sports sector included in that.</p>	<p>Preliminary work has been done in this regard and necessary arrangements are being made for recruitment.</p>	<p>Necessary action should be taken to recruit the vacant staff without delay considering the requirements.</p>