

National Sports Fund - 2021

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the National Sports Fund for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 . My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the National Sports fund as at 31 December 2021, 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 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 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 Non-compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Financial Regulation of Democratic Socialists Republic of Sri Lanka			
(i) Financial Regulation 571	The action had not been taken in accordance with the Financial Regulation 571 regarding 26 security deposits totalling to Rs.260,000 over 2 years	The relevant parties have been informed to take action to get back the security deposit and action are being taken in accordance with the FR 571.	The action should be taken in accordance with the Financial Regulations 571
(ii) The Section 877 (1) (d) of the Financial Regulations	The Treasury approval had not been taken for The National Sports Fund budget for the year 2021	The action will be taken to correct for the future.	The Treasury approval should be taken for the Budgets of the Fund.
(iii) The Section 877 (2) (d) of the Financial Regulations	A performance report of the National Sports Fund had not been prepared for the year under review	Noted to be corrected in the future and will be revised according to the new budget for 2022 and a copy of the amendment budget will be sent to the Auditor General in the future.	A performance report should be prepared.
(b) 1.2 of the Chapter ix of the Establishment Code of the Democratic Socialist Republic of Sri Lanka	Obtained for the allowances for 08 officials of the Sports Ministry and 03 sports coaches of the Sports Development Department had been obtained for the payment of Rs. 1.9 million in the year under review, for the administrative work of the National Sports Fund.	Payments related to the Sports Fund are entirely subject to the approval of the Minister and it is not necessary to obtain the approval of the Director General of the Fund to exercise those powers as per the Act. In the future, arrangements will be made to ask the Attorney General whether to obtain the approval of the director of the institution.	The Approval of the director of the Public Enterprises should be obtained for payment of allowances to government officials.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to an excess of Rs. 12,466,552 and the corresponding deficit in the preceding year amounted to Rs. 79,788,742. Therefore an increase of Rs. 92,255,294 of the financial result was observed. The main reason for this increase was the increase of the income of the fund by Rs. 164,720,372.

2.2 Quantitative analysis of major income and expenditure items

The deficit in the year 2018 and 2019 was Rs. 26,110,111 and Rs. 6,495,405 and by the year 2020 the deficit was Rs. 49,928,743, due to nearly three times of the income an expenditure of Rs. 127,717,485. There was a fiscal deficit of Rs. 77,788,742. Although there has been a decline in financial performance in these three years, in the year 2021 the income was Rs. 212,649,115 and the expenditure was Rs. 200,182,563 out of a financial surplus of over 12 million had been achieved.

3. Operational Review

3.1 Management Inefficiencies

	Audit Observation	Comments of the Management	Recommendation
(a)	According to the financial statement of the fund for the year under review, it was informed that the activities of the fund are being carried out with the aim of raising the nutritional status of the athletes and enhancing their sporting abilities. However, 02 per cent of the total cost of 200.1 million only Rs. 4 million had been spent on improving the nutritional of athletes.	Improving the nutritional status of athletes has not been specifically included as a major task among the tasks to be used in the Sports Fund.	Adequate attention should be given to improving the nutritional status of athletes to enhance their performance.
(b)	A monthly scholarship of Rs. 25,000 a private organization has expressed its agreement to provide sponsorship in relation to the distribution of a nutrition bag of Rs. 9 million for 60 players had been credited to the National Sports Fund. Thus, the Rs. 9 million to 54 players for a period of 03 months had been spent and Rs. 4 million and Rs.4.2 million had been paid as incentives for two players who are undergoing sports training abroad.	I will post the answers later.	The Sponsorship funds should be used for the intended purpose with the primary goal of achieving the desired goals.

- | | | | |
|-----|---|---|--|
| (c) | 2020 Tokyo Paralympic Games gold and silver medal winning athletes and their coaches to give financial rewards as recommended by the National Sports Council from the Treasury on the approval of the Cabinet of Ministers, Rs. 96 million has been allocated and Rs. 91.1 million were paid and Rs. 8.1 million had been paid to 05 other players who showed special skills and their coaches, who were not mentioned in the Cabinet decision. | Giving benefits to sportsmen who have won in international competitions is done based on the guidelines of the Sports Council and in accordance with the powers assigned to the Honourable Minister by the Sports Fund. Payments have been made in accordance with the Minister's powers as per the provisions of the Sports Act. | If gifts are awarded to all the players who have shown gold, silver and special talents, the approval of the Cabinet should be formally obtained. |
| (d) | According to a proposal related to the provision of physical resources in the existing sports schools, the Sports Fund will send to the Secretary of the Ministry of Education Rs. 5 million had been given however Rs. Only 4.6 million had been used to purchase sports equipment. | A reminder was also sent to the Ministry of Education to submit the relevant information; however the relevant information has not been submitted. Follow-up action will be done promptly in this regard. | The follow-up action should be done on the performance of other government agencies while making allocations. |
| (e) | Aiming at the Commonwealth Games and the Asian Games, under the High Performance Program, for athletes and coaches selected expecting to develop the abilities of the players and win the respective matches for 6 games in anticipation of winning the respective matches the National Sports Fund has provide Rs. 75.2 million as allowances. However the payment had been made without determining the method followed in selecting the players. | Based on the recommendations of the National Sports Council and the Sports Development Department, the relevant allocations have been released from the National Sports Fund and a detailed report will be provided in the future by contacting the relevant institutions. | Aiming at international sports festivals, a formal system should be prepared in providing facilities related to developing the performance of the players. |
| (f) | In 2021, the National Olympic Committee had been provided Rs. 1 million allowances and Rs. 75,000 as maintenance allowance For a period of 10 months under the Advanced Performance Programme. Apart from that another player who is training abroad for 03 months Rs. 300,000 for the remaining 07 months. USD. 1500 each and Rs. 2 | Based on the recommendations of the National Sports Council and the recommendations of the Sports Development Department, the relevant allocations have been released from the | A formal arrangement should be made for the players who receive special training to participate in international competitions |

million were paid from the National Sports Fund; however the two players did not represent the 2022 Commonwealth Games citing personal reasons.

National Sports Fund and a detailed report will be provided in the future by contacting the relevant institutions.

3.2 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
-----	-----	-----
(a) According to Section 22 of the National Sports Act No. 25 of 1973, the National Sports Fund was established to encourage, promote and develop sports in Sri Lanka. However so far Sri Lanka has won only 02 silver medals in 19 Olympic Games, and the 05 bronze medals won in the 2018 Commonwealth Games had reduced to 03 bronze medals by 2022.	Agreed.	To work towards the achievement of the objectives of the Sports Fund.
(b) 35 athletes who received allowances under the High Performance Program were not selected for the Commonwealth Games and 14 athletes who were sanctioned for the Games were not given the allowance.	Based on the recommendations of the National Sports Council and the Sports Development Department, the relevant allocations have been released from the National Sports Fund and a detailed report will be provided in the near future by contacting the relevant institutions.	To deal with giving allowances to players who show high skills.
(c) There was no effort to maintain a data base related to the merit ratings and achievements of Sri Lankan sportspersons locally and internationally.	Currently being updated.	The website containing sports information should be updated.

3.3 Deficiencies in Contract Administration

Audit Observation	Comments of the Management	Recommendation
In the year 2020, the National Sports Fund has given the Matara District Secretariat Rs. 9.1 million had been received and the total expenditure was Rs. 7.3 million, the remaining amount of Rs. 1.9 million had not been recovered and reports regarding the progress of the project had not been made available to the fund.	If the relevant tasks are not performed, the remaining money will be brought to the Ministry of Youth Affairs and Sports in the future.	The Formal follow-up activities should be done regarding the allocations given by other government agencies while carrying out development activities.