

National Sports Fund - 2025

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the National Sports Fund for the year ended 31 December 2025 comprising the statement of financial position as at 31 December 2025 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 material accounting policy information, 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, Finance Act No. 38 of 1971 and Section 25(4) of the Sports Law, No. 25 of 1973 of the National State Assembly. My comments and observations which I consider should be report to Parliament appear in this report

In my opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 December 2025, 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 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 skepticism 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 Fund's 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.

Audit scope 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 etc.

Reference to Laws, Rules and Regulations	Non-compliance	Management Comment	Recommendation
Section 27 of the Sports Law No. 25 of 1973 of the National State Assembly	Contrary to the provisions of this section, compensation amounting to Rs.12,000,000, including Rs.250,000 paid during the year under review, had been paid to those deceased and injured due to the accident that occurred at the Fox Hill Super-cross 2024 tournament, organized by the Sri Lanka Army and the Sri Lanka Automobile Sports Association in the year 2024. In addition, an amount of Rs.715,000 had been paid from the Fund as allowances for the members of the National Sports Council for attending council meetings.	These payments have been made with the approval of the Hon. Minister, with the objectives of encouraging, improving, and developing a particular sport in Sri Lanka.	The provisions of the relevant laws, acts and regulations should be complied with while making expenditures and payments of the Fund.

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a deficit of Rs.26,724,796 and the corresponding surplus in the preceding year amounted to Rs.102,471,210. Therefore an deterioration amounting to Rs.129,196,006 of the financial result was observed. The reason for the deterioration is failure to receive the National Lotteries Board contribution of Rs.164,698,562, which was due during the year under review, as received in the preceding year.

2.2. Trend Analysis of major Income and Expenditure items

Analysis of major income and expenditure items of the year under review compared with the preceding year with the percentage of increase or decrease is shown below.

Income/ Expenditure Item	Value for the year under review Rs.	Value for the preceding year Rs.	Increase/ Decrease Rs.	percentage %
<u>Revenue</u>				
Government Grant	-	206,272,528	(206,272,528)	100
Investment	2,696,721	2,115,993	580,728	28
Other Income	9,745,400	82,483,914	(72,738,514)	88
<u>Expenditure</u>				
Sports competitions	35,922,682	65,193,481	29,270,799	45
Welfare and Coach Allowances	-	2,835,631	2,835,631	100
Development Projects	634,996	116,495,138	115,860,142	99
Other operating expenses	2,609,240	3,876,975	1,267,735	33

- (a) Although the Fund was established with the objective of encouraging, promoting, and developing sports in Sri Lanka, the overall income of the Fund and the expenditure on development projects during the year under review had decreased by 96 per cent and 99 per cent, respectively, compared to the preceding year. This indicated a significant drop in the utilization of the Fund's financial resources for achieving its primary objectives.
- (b) Although a sum of Rs. 2,835,631 had been spent as welfare and coaching allowances in the previous year, no expenditure had been incurred for that purpose during the year under review. Accordingly, it was observed that the financial contribution of the Fund had not been provided during the year under review to promote the welfare and skill development of athletes, as well as to encourage coaches..

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
(a) The National Sports Fund had not formulated a systematic program to provide sports equipment based on priorities and identified needs across the entire island.	According to requests received from various parties, funds are allocated for the respective requests with the approval of the Hon. Minister, based on available provisions.	A systematic program should be formulated and implemented to formally identify the needs of the sports sector across the entire island and provide sports equipment based on priority.

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| <p>(b) Although Rs.652,400 had been spent out of the provision of Rs.1,000,000 provided by the Fund for the Netball Championship during the year under review, details regarding the players and officials who participated in the Netball Championship, as well as information related to the procurement of uniforms, had not been submitted to Audit to substantiate the expenditure. Furthermore, action had not been taken to recover the remaining amount of Rs.347,600 back to the Fund.</p> | <p>The sum of one million rupees was provided to the "Director General, Department of Sports Development" on 02.06.2025, and to date, a detailed expenditure report along with certified copies of the relevant invoices has not been submitted to the Ministry.</p> | <p>Action should be taken to obtain detailed expenditure reports and relevant supporting evidence regarding the provided funds, and to promptly recover any remaining money back to the Fund.</p> |
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3.2 Operational Inefficiencies

Audit Observation	Management Comment	Recommendation
As notified by the Department of Treasury Operations, adequate action had not been taken by the Fund to inform the said Department of the specific activities expected to be executed during the year under review using the contribution from the lotteries of the National Lotteries Board, along with the required expenditure, to obtain the necessary provisions.	Lottery revenue is not allocated and maintained separately for the National Sports Fund; instead, funds are released to cover expenses as needed within the overall approved budget.	Action should be taken to inform the General Treasury of the specific activities expected to be executed for the effective utilization of lottery contributions, along with the required expenditure, to obtain the necessary provisions.

4 Accountability and Good Governance

4.1 Tabling of Annual Performance Report in Parliament

Audit Observation	Management Comment	Recommendation
(a) In accordance with Financial Regulation 877(2)(d) of the Democratic Socialist Republic of Sri Lanka, as amended by Public Finance Circular No. 01/2020 dated 28 August 2020, the Performance Report, along with the certified Financial Statements of the Fund, should be submitted to the Auditor General with a copy to the Department of Public Finance within 02 months after the end of the financial year; however, the Fund had not submitted the relevant Performance Reports for the years 2024 and 2025.	The performance report for the year 2024 is being prepared and is ready to be tabled in Parliament, while the necessary arrangements are being made to table the performance report for the year 2025 in Parliament.	Performance reports should be prepared and submitted within the prescribed period.

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| (b) | In accordance with Section 25(2) of the Sports Law No. 25 of 1973 of the National State Assembly, a report on the administration of the Fund should be prepared by the Secretary to the Ministry as soon as possible after the end of each calendar year; however, by the date of this report, the administration report relevant to the year under review as well as the administration reports relevant to previous years had not been prepared. | Action will be taken to prepare the report in the first quarter of the year in the future. | In accordance with Section 25(2) of the Sports Law, action should be taken to prepare and submit the administration report within the stipulated time frame. |
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