

Head 219 – Sport Development Department

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of Sport Development Department for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022, 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 summarized reports on the financial statements of the Sport Development Department to be submitted in terms of the paragraph 11(1) of the National Audit Act No. 19 of 2018 which contained my comments and observations had been submitted to the Accounting Officer on 31 May 2023. The detailed management report of Sport Development Department to be submitted in terms of the paragraph 11(2) of the National Audit Act No. 19 of 2018 had been submitted to the Accounting Officer on 14 September 2023. This report in pursuance of provisions in Article 154 (6) of the Constitution read in conjunction with paragraph 10 of the National Audit Act No. 19 of 2018 is presented to the Parliament.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of Sport Development Department as at 31 December 2022 and of its financial performance and its 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 describe in paragraph 1.6 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 opinion.

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

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 in terms of paragraph 38 of the National Audit Act, No. 19 of 2018 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.

As per paragraph 16(1) of the National Audit Act No. 19 of 2018, Department 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 Department.

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 Department and carry out periodic reviews to monitor the effectiveness of such system and accordingly make any alterations as required for such systems to be effectively carry out.

1.4 Auditor's Responsibility for 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 internal control of the Department.
- Evaluate the structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transaction and events in a manner that achieves fair presentation.
- 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.

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

As required by Sub-section 6 (d) of the National Audit Act, No.19 of 2018, I state the followings.

- (a) the financial statements are consistent with the preceding year.
- (b) the following recommendations made by me relating to the financial statements of the preceding year had not been implemented.

Reference to the paragraph	Audit Observation	Recommendation
1.6.1 (d)	Stadiums and hostels established at 09 places belonging to the Department had not been account as assets.	Actions should be taken to account for these assets in the respective asset registers.

1.6 Commence of the Financial Statements

1.6.1 Presentation of Estimated provisions in the Financial Statements Framework

The following observations are made.

	Audit Observation	Comments of the Accounting Officer	Recommendations
(a)	The value of the vehicles in the financial statements of the year under review had been understated by Rs. 72 million, due to 05 vehicles total assessed value at Rs. 30 million had not been accounted in the fixed asset register and 08 vehicles total assessed value at Rs. 80 million had been recorded as Rs.38 million in the fixed asset register.	Agreed. Kindly inform that it will be corrected in the year 2023.	Financial statements should be prepared accurately.
(b)	The assets of the Department had been overstated by that amount, due to the vehicle No. NC-4782 valued at Rs.5.8 assigned to the Ministry of Sports and Youth Affairs in the year 2021 by the Department had not been removed from the fixed assets register.	Agreed. Kindly inform that it will be corrected in the year 2023.	Financial statements should be prepared accurately.
(c)	The work in progress had been overstated by Rs. 1,917, due to Rs. 1,234 million of 22 completed projects and 16 projects worth of Rs. 683 million handed over to other Government Institutions and schools by the Department were included in the work in progress of the financial statements.	Kindly inform that the non-financial assets accounts will be corrected in the year 2023.	Financial statements should be prepared accurately.

- | | | |
|---|---|--|
| (d) The value of land and building of 5 places and all the sports complexes belonging to the Sports Development Department had not been assessed and accounted by 31 December 2022. | Agreed.
Kindly inform that the non-financial assets accounts will be corrected in the year 2023. | Financial statements should be prepared as per Government Accounting Guidelines. |
|---|---|--|

1.6.2 Rent and Mobilization Advance Account

The following observation is made.

Audit Observation	Comment of the Accounting Officer	Recomendation
Although Rs. 5.7 million and Rs. 857,625 of value added tax was settled in the year under review out of the advance money given in two occasions for the construction of Uva Provincial Indoor Stadium, due to the fact that it was not deducted from the advance balance in the financial statements, the balance of rent and mobilization advance account and reserve account was overstated by Rs. 6.6 million in the financial statements.	Agreed. I kindly inform you that the advance account balances collected in the year 2022 had been omitted from the accounts of that year, the mistake has been rectified and the advance balances will be maintained correctly in the year 2023.	Financial statements should be prepared accurately.

2. Financial Reveiw

2.1 Advance B Account of the Public Officers

Audit Observation	Comment of the Accountin Officer	Recomendation
According to the advance "B" account as at 31 December 2022, the outstanding balances of two officials was Rs. 218,082 and among those 9 years old loan balances of Rs. 35,600 due from the officer who leave from the service and 17 year old loan of Rs. 58,450 due from deceased officer. The loan amount could not be recovered from the death gratuity, due to the loan file of the deceased officer was not in the record room and the service period was not completed for 05 years and had not taken action according to the Financial Regulation in this regard.	Agreed. Although the relevant parties have been notified to settle the relevant debt from the year 2021, since they have failed to settle the debt so far, I would like to inform you that action is being taken to write off the debt balances by doing investigation according to the F.R 104.	Action should be taken to collect the loan amount promptly or deal with the loan balance as per the Financial Regulations.

2.2 Deposits

The following Observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) 72 contract deposits valued at Rs. 37.8 million from 02 to 06 years and Rs.2 million more than 6 years old were not released by 31 December 2022, due to delay in completion of construction works.	I kindly inform you that the 120 contract deposits indicated by you have exceeded 02 years but the deposits have not been released as the projects have not been completed and will be released after the completion of the contract work.	Construction works should be completed without delay and arrangements should be made to release the deposits.
(b) Although 42 contract deposits worth 17.6 million over 02 to 05 years and more than 5 years old remained in the deposit account as at 31 December 2022 had exceeded the maintenance period of those construction projects, the retention money had not been released, due to reasons such as deficiencies not being rectified, not receiving recommendations for settlement and final bills not being submitted.		Projects that have exceeded the maintenance period, the defects should be rectified promptly and obtained the necessary recommendations to settle the deposits.

2.3 Non-compliance with Law, Rule and Regulation

The instances of non-compliance with the law, rules and regulations observed during the audit are as follows.

Reference to the with Law, Rule and Regulation	Non-compliance	Comment of the Accounting Officer	Recommendation
State Accounts Guidelines No. 2022/05 dated 13 December 2022	Eventhough the difference between the net provision and the actual expenditure for each expenditure object code and the reasons for that difference should be stated in the ACA-2(ii) form, the reasons for the remaining allocation for 07 expenditure object codes were not given.	Agreed. There have been omissions in giving reasons for certain expenditure objects.	Action should be taken as per the State Accounts Guidelines.

The percentage of remaining allocations for 2 expenditure object codes was not indicated in the financial statements of 2022 of the Department.	Agreed. The percentage of remaining allocation for 2 object codes was not reported by mistake.	Action should be taken as per the State Accounts Guidelines.
---	---	--

3. Operational Review

3.1 Abandon of Projects without Completion

The following Observations are made.

Audit Observations	Comments of the Accounting Officer	Recommendations										
(a) 7 projects brought forward from previous years with an estimated cost of Rs.1,140 million and a cost of Rs.324 million as of 31 December 2022 have been abandoned without completion due to non-availability of funds, problems with contractors and consultants etc.	<p>The reasons for the abandoned of 7 projects brought forward from previous years are as follows.</p> <table border="0"> <tr> <td style="text-align: center;">Project</td> <td style="text-align: center;">Reasons for the abandoned and current position</td> </tr> <tr> <td>Monaragala District Sports Complex</td> <td>The project has been suspended, due to non-availability of funds.</td> </tr> <tr> <td>Additional work at Gampaha District Sports Complex</td> <td>It was assigned to the National Machinery Institute for construction and due to the problematic situation with that institution, the construction was stopped, and the agreement was canceled with the approval of a cabinet paper.</td> </tr> <tr> <td>Energy Improvement Hall at Matale District Sports Complex</td> <td></td> </tr> <tr> <td>Additional works at Matele District Sports Complex</td> <td></td> </tr> </table>	Project	Reasons for the abandoned and current position	Monaragala District Sports Complex	The project has been suspended, due to non-availability of funds.	Additional work at Gampaha District Sports Complex	It was assigned to the National Machinery Institute for construction and due to the problematic situation with that institution, the construction was stopped, and the agreement was canceled with the approval of a cabinet paper.	Energy Improvement Hall at Matale District Sports Complex		Additional works at Matele District Sports Complex		It is required to complete the commenced constructions works of the projects on due date as scheduled
Project	Reasons for the abandoned and current position											
Monaragala District Sports Complex	The project has been suspended, due to non-availability of funds.											
Additional work at Gampaha District Sports Complex	It was assigned to the National Machinery Institute for construction and due to the problematic situation with that institution, the construction was stopped, and the agreement was canceled with the approval of a cabinet paper.											
Energy Improvement Hall at Matale District Sports Complex												
Additional works at Matele District Sports Complex												

Elihouse Park Swimming Pool (Vistyick Swimming Pool) The work has been stopped, due to the lack of provisions and a problematic situation with the contracting agency and the consultant agency, the Colombo Municipal Council.

Construction of swimming pool at Sandhangani Sports Complex in Kalmunai The project was suspended on the agreement of both parties, due to non-availability of adequate allocations and the procurement process for the remaining work was started and the project was awarded to a new contractor on 25.05.2023.

Eastern Province Sports Complex Permission has been given to start the development work of the playground in the hearing held on 30.07.2022 regarding the Trincomalee Provincial Sports Complex. The copy of the decision has not yet been received by the Sports Development Department.

3.2 Delays in Project Execution

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation								
	<table border="1"> <thead> <tr> <th data-bbox="536 1384 766 1422">Project</th> <th data-bbox="766 1384 1222 1422">Reason for Delay</th> </tr> </thead> <tbody> <tr> <td data-bbox="536 1422 766 1736">Playground at Visakha Girls College</td> <td data-bbox="766 1422 1222 1736">Procurement was done for the rest of the work and an organization was selected and the project was awarded on 26.04.2023 and currently the work is in the final stage.</td> </tr> <tr> <td data-bbox="536 1736 766 1848">St. Joseph's College Swimming Pool</td> <td data-bbox="766 1736 1222 1848">Physical progress is 95%. Finishing work is to be completed and accepted.</td> </tr> <tr> <td data-bbox="536 1848 766 2040">Construction of playground at Gampaha District Sports Complex</td> <td data-bbox="766 1848 1222 2040">The playground has been prepared with grass. The work has been stopped, due to lack of provision. It is</td> </tr> </tbody> </table>	Project	Reason for Delay	Playground at Visakha Girls College	Procurement was done for the rest of the work and an organization was selected and the project was awarded on 26.04.2023 and currently the work is in the final stage.	St. Joseph's College Swimming Pool	Physical progress is 95%. Finishing work is to be completed and accepted.	Construction of playground at Gampaha District Sports Complex	The playground has been prepared with grass. The work has been stopped, due to lack of provision. It is	Action should be taken to complete within the prescribed periods by managing properly.
Project	Reason for Delay									
Playground at Visakha Girls College	Procurement was done for the rest of the work and an organization was selected and the project was awarded on 26.04.2023 and currently the work is in the final stage.									
St. Joseph's College Swimming Pool	Physical progress is 95%. Finishing work is to be completed and accepted.									
Construction of playground at Gampaha District Sports Complex	The playground has been prepared with grass. The work has been stopped, due to lack of provision. It is									

		expected to be completed in the year 2024.
Construction of indoor sports hall at Gampaha District Sports Complex	of	The construction work of the project has been suspended with the agreement of both parties. Procurement activities are being taken for the balance works.
Construction of Energy Improvement Hall in Gampaha District Sports Complex	of	The project is expected to be suspended, due to the lack of provisions and the rise in prices of goods due to the economic crisis in the country.
Construction of Indoor Stadium at Vavnia District Sports Complex	of	The construction has been suspended, due to lack of funds and the contractor's bankruptcy. The rest of the work is expected to be completed this year after procurement.

3.3 Projects commenced After Delays

The following observations are made.

	Audit Observation	Comments of the Accounting Officer	Recommendation
(a)	The project to construct the indoor stadium at Sandhangani Sports Complex in Kalmunai was awarded to a construction company in 2019 at a tax-free value of Rs.155 million. This project was supposed to be completed by 14 November 2020 and a sum of Rs. 46 million had been spent on this contract by 31 December 2022. Due to the lack of a formal feasibility study for this project, as the construction site included other sports playground, a portion of the adjacent land was added due to obstruction by the local sports societies and the construction work was delayed and started on 22 March 2021.	Kalmune Sandhangani Indoor Sports stadium construction project has been awarded to a private construction company on 31.10.2019 for an amount of Rs.155 million (without VAT). An advance of Rs.31,045,976 (without VAT) has been paid for this project. Due to non-submission of bills for advance collection, an amount of Rs. 14,802,243 was deducted from the remaining advance amount for the Kalmune Sandhangani Indoor Stadium from the final bill submitted for the construction of the Mannar District Sports Complex, which is being constructed by the same institution. Accordingly, an amount of Rs.16,398,326 has been deducted as	Construction of the projects should be successfully completed on the scheduled date as planned.

Eventhough a sum of Rs. 31 million (net of tax) had been paid in advance for commencement of work in the year 2020 for the project, but in the year under review, out of that amount Rs. 14.6 million had to be collected in the year under review. The project period had been extended to 15 May 2022 and the contractor had agreed to complete and deliver the works in accordance with the advance amount paid. The project had been halted midway, due to the contractor's disagreement over a contract price fluctuation and the intended objectives of the project had not been met, due to incomplete construction work.

advance and an advance amount of Rs.14,647,650 remains to be collected.

There has been a price fluctuation of 20 percent of the contract value due to price variations related to the covid pandemic period. As the contractor does not agree to get only a 10 percent price fluctuation, the project was suspended and informed that the contractor has agreed to start the project again.

- (b) The construction of the swimming pool in the North Western Province Sports Complex (Bingiriya) at a cost of Rs. 84.4 million (without tax) awarded to a private construction company on 03 January 2017 to complete the construction work within a year and by 31 December 2022, Rs. 91.6 million (with tax) had been paid to the contractor.

The work on the project commenced in the year 2017 and in that year Rs. 16.9 million had been paid as mobilization advance. A sum of Rs. 16 million remained to be paid as at 31 December 2022 to the contractor. The price variations of the project had not been approved by 31 May 2023 and since the construction of the swimming pool had not been completed, no delay charges had been collected.

The project to construct the swimming pool at the North West Provincial Sports Complex has been awarded to a private construction company for an amount of Rs.84,399,475. Since the price variations of the project have exceeded 10 percent, the procurement committee has appointed a suitable technical evaluation committee on 04 April 2023 to get approval. I inform you that after obtaining the approval from the consultancy firm for all price variance to submit to evaluation committee, action will be taken to obtain the approval of the procurement committee. It will take action to collect the delay charges during the payment of the final bills.

Action should be taken to complete the project successfully on the scheduled date, management properly and collection of delay charges.

- (c) The project for the construction of indoor stadium and auditorium in Mannar District Sports Complex given to a private construction company in 2015 at a tax-free value of 107 million. The contract period is 09 months and the relevant construction should have

A private construction company has been awarded an amount of Rs.107,459,940.00 (without VAT) for the construction of the indoor stadium at the Mannar District Sports Complex. According to the National Budget Circular 03/2022 and due to

Projects should be initiated according to a specific plan, managed properly and completed by the scheduled date.

been completed by 03 May 2016. The work of the swimming pool had been stopped after spending Rs.61 million for this project on 31 December 2022. Thus, it was observed that the construction of this district sports complex had not achieved the desired objectives.

the bankruptcy of the contractor, this construction has been suspended.

- (d) The contract value at Rs.53 million of Mannar District Sports Complex swimming pool and auditorium construction project was given to a private construction company in 2015. The contract period is 09 months and the construction work should have been completed by 03 May 2016. The Department of Archeology had advised to suspend the construction work due to the fact that the land where this project is being carried out is a land of archaeological value. Although permission was given to resume work on 07 February 2019, Rs. 35 million had been spent on 31 December 2022. the contractor had stopped the work on the swimming pool due to limitation of expenditure according to National Budget Circular No. 03/2022, the current economic situation in the country and rise in the prices of goods and the and thus the expected objectives of the project had not been fulfilled.
- A private construction firm has been awarded a sum of Rs.53,139,423.00 (without VAT) for the construction of the swimming pool and auditorium at the Mannar District Sports Complex. According to the National Budget Circular 03/2022 and due to the economic crisis in the country, the project has been stopped due to the increase in the prices of the goods. The contractor has been informed by letter to start the work and if the work is not started, the project will be suspended.
- Projects should be initiated according to a specific plan, managed properly and completed by the scheduled date.
- (e) The project to construct the 400 meter track at the Mannar District Sports Complex at a contract value of Rs.82 million was given to a construction company in 2015. The contract period is 09 months and accordingly the construction work should have been completed on 03 May 2016. The Department of Archeology had advised to suspend the construction work due to the fact that the land
- A private construction company has been awarded construct of playground at the Mannar District Sports Complex at a contract value of Rs. 81,877,205 (without VAT). According to the National Budget Circular 03/2022 and due to the economic crisis in the country, the 400 meter track has been prepared for use and handed over to the Sports Development Department. it is
- Before starting the projects, a feasibility study should be done and the project should be properly managed.

where this project is being carried out is a land of archaeological value. Although permission was given to start work on 07 February 2019, delay charges were not charged even though 03 years have passed since that date. Rs. Although Rs. 54 million had been spent as at 31 December 2022, the expected benefits from this project could not be obtained, due to the construction work had not been completed.

notices that the procurement activities are being carried out for the construction of a fence around the playground.

3.4 Non-achievement of Expected outcome

Audit Observation	Comments of the Accounting Officer	Recommendation
According to the National Sports Associations Order 7 (xii) of 01 of 2016, National Sports Associations should prepare an annual action plan for the coming year and submit that action plan to the Director General three months before the end of the current year, out of 66 National Sports Associations, the Department had received action plans from only 11 sports associations for the year 2022.	National Sports Associations have been informed through an awareness program and letters in the month of December 2022, but since they have not responded to it, kindly inform that action is being taken to prepared a database for this purpose to check whether annual financial statements and action plans have been submitted for the auditor in providing financial allocations for National Sports Associations.	The Sports Development Department should regulate all the sports associations for the development of the sports sector.

3.5 Operational Inefficiencies

Audit Observation	Comments of the Accounting Officer	Recommendation
The 54th Milo Swimming Championship held in Malaysia from 15 March 2018 to 18 March 2018 was attended a local schools and 195 international and private schools and 10 officials by the Sri Lanka Aquatics Association. The approval of the Secretary of the Ministry of Education was given for 67 school athletes and two teachers, subject to the conditions of submitting a detailed report to the Sports Department, without charging any money from	The Ministry of Education should monitor the conditions issued by the Ministry of Education and the participating officials should be responsible for all children regardless of whether they are male or female. All the associations including the Aquatic Association will be informed to carry out the	The Department of Sports Development should adequately regulate and administer the activities of the sports federations and provide adequate supervision and guidance by issuing

the students for air tickets, subsistence or other expenses for participating in this tournament.

However, from 99 athletes who participated in this tournament, Rs. 9 million had been recovered for air tickets, accommodation, subsistence and other expenses and the over recovered amount of Rs.108,717 had not been returned to the players.

A formal budget estimate was not prepared including the total cost to be approved by the governing body of the association for the tournament, which was collected from 19 players to participate in the tournament. Receipts for one million had not been issued. The Aquatics Association has selected a private organization for the organization of the competition, which includes air tickets, food and transportation costs and paid Rs. 9.5 million for this tournament but procurement process was not followed according to the Guideline 1.2 of the Government Procurement Guidelines.

procurement following the rules and regulations of the Government. The Sports Development Department has been notified to conduct an investigation and take action regarding the matters observed regarding the financial control of the competition.

rules, regulations and orders and circulars to prevent administrative, financial and other errors and frauds.

4. Human Resources Management

Audit Observation	Comments of the Accounting Officer	Recommendation
There were 04 senior level vacancies, 12 tertiary level vacancies, 62 secondary level vacancies and 20 primary level vacancies in the approved carder of the Sports Development Department as at 31 December 2022 and there were 47 vacancies related to 04 senior posts and 7 posts of sports related staff which greatly affects the performance of the department and the sports sector.	It has not been possible to fill the staff vacancies in the Department due to the stoppage of new recruitment and the program of giving leave for officers for a period of 5 years both domestically and abroad. Although the Ministry of Public Administration has been continuously informed about this, it has not been possible to fill the vacancies until now. Kindly inform that the activities will be maintained with a limited number of employees.	Vacancies that directly affect the performance of the Department should be filled in accordance with the existing Government Administrative Circulars.