

## **Head 194 – Ministry of Sport and Youth Affairs**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of Ministry of Sports and Youth Affairs 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 Ministry of Sports and Youth Affairs 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 Chief Accounting Officer on 31 May 2023. The detailed management report of Ministry of Sports and Youth Affairs 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 Ministry of Sports and Youth Affairs 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 for the Financial Statements**

Chief 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, Ministry 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 Ministry.

In terms of Sub-section 38(1) (c) of the National Audit Act, the Chief Accounting Officer shall ensure that an effective internal control system for the financial control exists in Ministry 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 Ministry.
- 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 (1) (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 recommendations made by me relating to the financial statements of the preceding year had not been implemented.

## 1.6 Comment on the Financial Statements

### 1.7

#### 1.7.1 Non-compliance of Financial Statements with Circular Provisions

The following observation is made.

<b>Audit Observation</b>	<b>Comment of the Chief Accounting Officer</b>	<b>Recommendation</b>
According to State Accounts Guidelines No. 2022/05 dated 13 December 2022, the non-financial assets to be further reported in the preparation of financial statements should be properly identified and accounted for at cost or in cases where the cost cannot be identified, at the estimated value, the assessment value of land and buildings of Diyagama Mahinda Rajapaksa National Sports Academy remained under the Ministry, the Small Business Development Division and the National Center for Leadership Development had not been taken into account.	<p>the necessary survey work is being done to hand over the land of Diyagama Mahinda Rajapaksa International Sports Complex to the Ministry and the Divisional Secretary of Homagama informed that after receiving the report, recommendations will be made for the handover.</p> <p>I would like to inform you that the activities necessary to identify and account for the assessment value of land and buildings belonging to the small business development sector will be carried out promptly. Action is being taken to obtain the assessment values for the National Center for Leadership Development from the Department of Valuation.</p>	Guidelines should be followed in preparing financial statements.

## 1.7.2 Property Plant and Equipment

The following observations are made.

	<b>Audit Observation</b>	<b>Comment of the Chief Accounting Officer</b>	<b>Recommendation</b>
(a)	The value of land was understated in the financial statements, due to the assessed value of the land where the Nuwara Eliya Sports Center is located was Rs. 138 million were accounted as residences.	Necessary instructions have been given to carry out the necessary adjustments to the land where the Nuwara Eliya Sports Center is located.	Financial statements should be prepared accurately.
(b)	Eventhough Rs. 10 million worth of sporting goods purchased and distributed to sports schools, youth and sports clubs during the year under review have been removed from assets in the financial statements, disclosure had not been made in the financial statements regarding that.	The disclosure in the financial statements was omitted in this regard and instructions were given to act correctly in the future.	The financial statements should be prepared accurately as per circular instructions.
(c)	Eventhough the value of Rs. 358 million of Sports and Youth Affairs Ministry Building had been accounted, the value of the land where the building is located had not been assessed and accounted for.	The related activities are being carried out to hand over the land where the Ministry of Sports and Youth Affairs building is located to the Ministry. After taking possession of this land, valuation work can be done and accounting can be done.	The financial statements should be prepared accurately
(d)	Eventhough 3 lands belonging to the National Center for Leadership Development have been accounted as lands in the CIGAS program at a nominal value of Rs.300, the values of those lands have not been assessed and accounted for.	03 lands belonging to the National Center for Leadership Development have not been taken so far, so after taking over the land, the measurement and related assessment activities can be done and the accounting can be done.	Asset should be management and accounting properly.

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| (e) | The jeep and 05 bicycles assessed at Rs. 04 million owned to the Leadership Development Center had been entered at Rs. 100 each in the CIGAS assets register and the assessment value was not taken into account. | Action will be taken in the future to account for the actual value after actual assessment submitted to the Government Motor Vehicle Inspector/Engineer. Since there is no bicycle item in the asset register, it is entered under the motorcycle item. It will be corrected by entering the actual values after due valuation. | Asset should be management and accounting properly. |
| (f) | The value of the 12 vehicles owned to the Ministry was not included in the asset register.  | Kindly inform that it is being included in the CIGAS software.  | Asset should be management and accounting properly. |

### 1.7.3 Non-compliances with Law, Rules and Regulation

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

<b>Reference to the Law, Rules and Regulation</b>	<b>Non-compliance</b>	<b>Comment of the Chief Accounting Officer</b>	<b>Recommendation</b>
5.4.10(b) of the Procurement Guidelines	Although a performance bond should be obtained to protect the entity from non-fulfillment of the contract by the supplier, according to the guidelines a performance bond had not been obtained for the supply of sports equipment valued at Rs.16 million.	The supplier deposited Rs.250,000 to this section for bid security. After awarding this procurement, an amount of Rs.142,740 was withheld for the performance security of the said project, and the excess amount of Rs.108,260 was released.	Procurement guidelines should be followed.

## 2. Financial Review

### 2.1 Expenditure Management

The following observation is made.

<b>Audit Observation</b>	<b>Comment of the Chief Accounting Officer</b>	<b>Recommendation</b>
10 recurring expenditure objects aggregating to Rs. 15 million and the 10 capital expenditure objects aggregating to Rs. 76 had remained fully without spent. After utilization of provisions relating to 55 recurrent expenditure objects and 24 capital expenditure objects, the recurrent grants amount to Rs. 552 million and capital grants of Rs. 808 million each for a total of Rs. 1,360 million had remained available. The allocation savings remained ranging from 25 percent to 97 percent of the net allocation related to those objects and the reason for this was to control expenses as per the provisions of Budget Circular No. 03/2022 of the National Budget Department.	The activities had to be carried out under the crisis situation in the country and in accordance with the provisions of the National Budget Circular 03/2022 and according to the letter of the National Budget Department titled No. BD/HRD/194/16/2022 dated 06.06.2022 of Controlling Public Expenditures issued in order to reduce the existing pressure, it has been informed that the expenditure objects that need to be allocated in this Ministry have been identified and there has been a saving in the expenditure objects.	Manage the public expenditure efficiently.

### 2.2 Deposit

The following observations is made.

<b>Audit Observation</b>	<b>Comment of the Chief Accounting Officer</b>	<b>Recommendation</b>
Action had not been taken to prepare a lists at the end of the year and credited to the relevant account or Government revenue as appropriate according to the Financial Regulation 571 in relation to 42 deposits amounting to Rs. 61 million remained in the deposit account from 2 to 7 years in relation to the construction projects held on 31 December 2022.	Out of the deposit amounting to Rs.18,935,194, Rs.14,107,960 have been identified to be released from the deposit account, but due to lack of funds, the payment to the relevant institutions has stopped and Rs.390,839 has been released from that deposit. Also, out of the above deposits, 16 deposits amounting to Rs.9,222,890 have been identified to be credited to the government revenue. It has been instructed to investigate and resolve the existing difficulties to release and projects have been properly completed in relation to the remaining 25 deposits.	Overdue deposits should be dealt as per financial regulations.

### 3. Operational Review

#### 3.1 Performance

The following observations are made.

<b>Audit Observation</b>	<b>Comment of the Chief Accounting Officer</b>	<b>Recommendation</b>
<b>(a) Failure to perform the tasks included in the action plan</b>		
(i) 8 projects with an annual estimated allocation of Rs.120.5 million were abandoned during the year, due to insufficient capital imprest and according to the National Budget Circular No. 03/2022 issued in relation to cost management.	In the execution of the work for the related projects, it has been caused by following the instructions given not to start new work as per circular 03/2022. This situation has also been caused to receive sufficient capital imprest.	A feasibility study should be carried out and projects should be planned efficiency and in order to fulfill the desired objectives.
(ii) The construction of archery and shooting ground in Kurunegala Maliadeva Vidyalaya had been estimated at Rs. 12 million and awarded on 28 March 2018 at contract value of Rs.12 million to a private contractor to completed in 6 months. An additional payment of Rs. 4 million (tax inclusive) had been paid, due to various weaknesses in the contract administration. A feasibility study was not done for the project and the amount of space that should be available according to the standard of the ground was not considered. Only Phase-I of the project had been carried out and the intended purpose could not be achieved due to non-use of the playground for archery and shooting sports.	The problematic conditions encountered at the initial stage, the Ministry's Procurement Committee has approved a revised contract value and accordingly, the project has resumed. The technical evaluation committee had approved the time extensions as per the contractor's requests. Accordingly, this project which was supposed to be completed on 10 May 2020, was completed and handed over to the school on 15 May 2020. Written inquiries have been made to the contracting firm and the consultancy firm regarding non-obtainment of formal approval for additional work. Phase II of the project has been temporarily suspended as per National Budget Circular 03/2022	A feasibility study should be done and the projects should be planned so that the desired objectives are fulfilled efficiently. Obtained formal approval when exceeding the estimated value of work.

## (b) Projects Executed by the Infrastructure Sector

### (i) Procurement of Sports Equipment

Although this program was designed to provide sports goods and equipment to sports clubs and youth clubs involved in sports activities and sports schools, 3 private supply agencies selected by the Ministry Procurement Committee have contracted Rs. 24 million volleyball courts, netball courts, soccer goal courts, volleyball nets, football etc. sports equipment has not been provided and one institution has informed Rs. 6 million of sports equipment could not be supplied, the total was Rs. 30 million sports equipment has not been provided, so the desired objectives of the project have not been achieved. The period to supply goods worth of Rs.17 million had exceeded 1 year and 07 months.

The tender was canceled after taking over the performance security of certain institutions that failed to deliver the goods of the prescribed standard. Rs. 17 million worth of goods was delayed, due to import restrictions and the increase in the price of imported sports goods. But the management of the respective institution informed that the order will be distributed in the year 2023.

Programs should be systematically managed and regulated.

### (ii) Public Playground Development Programme

09 projects which could not be completed in the year 2021 and could not settle the bills under the program for standard development of public playgrounds were started as non-departmental projects in the year 2022 and an allocation of Rs. 33 million was allocated for it. The project work value increased more than the estimated cost, due to the economic crisis in the country and the projects were not implemented.

09 projects that have not been completed have been canceled and will not be implemented further, due to the rapid increase in the price of raw materials, the imposition of restrictions on the import of raw materials, transportation difficulties due to the lack of fuel and rise in the price under the economic situation in the country in the year 2022,.

Construction projects should be properly managed and regulated.

## 3.2 Contract Management

The following observations is made.

<b>Audit Observation</b>	<b>Comment of the Chief Accounting Officer</b>	<b>Recommendation</b>
A sum of Rs. 3,866 million had been allocated in the budget to development of Diyagama Mahinda Rajapaksa International Sports Complex as a sports academy and international stadium from	The new artificial track is currently used for sporting events. The old track is no longer used for sporting events, and as the artificial track has been laid for a long time, it is	Construction projects should be properly managed and regulated.

2017 to 2022 and Rs.606 million had been spent.

There were several damages on the 400 meter artificial track valued at Rs.487 million where the athletes become inconvenient in the competitions and lines where the tracks are divided are missing.

The roof of the auditorium, where the old track was located, which was unusable for sports, had come off due to wind conditions. Although the construction progress of the small auditorium, which cost at Rs. 34 million was 90 percent, the contract was canceled.

It had been decided to end the project when 65 percent of the construction progress was achieved by spending Rs.30 million for the generator installation project. A sum of Rs. 5.4 million was paid as an advance without making an agreement for the renovation of the kitchen by a government construction company in 2019, and it was not possible to recover the amount paid, due to the non-performance of the construction work, Due to the non-fulfilment of the expected tasks of this project, the expected return on the invested amount was not achieved.

common for the artificial surface to wear and tear due to environmental impacts and use.

The old auditorium's roof has caved in due to wind conditions, and provision has been made for its reconstruction in 2023. Preliminary plans are being prepared in this regard.

The physical progress of the construction of the small auditorium is 90%. The contract is canceled and payment is made only for the work done.

the Ministry has decided to end the project based on the agreement of both parties, due to the practical problems of continuing the generator installation project. The Director General (Engineering) has been informed to provide a report containing observations and recommendations in this regard.

No agreement has been signed for advance payment for kitchen renovation work. Necessary arrangements are being made to recover the said amount.

#### 4. Human Resource Management

The following observations is made.

<b>Audit Observation</b>	<b>Comment of the Chief Accounting Officer</b>	<b>Recommendation</b>
There are 303 vacancies including 29 senior level vacancies, 59 tertiary level vacancies and 134 secondary level vacancies and 81 primary level vacancies in the Ministry of Sports and its Small Business Development Division, National Leadership Center, National Sports Science Institute, Sports Medicine Institute and Infrastructure Development Division as at 31 December	Requests have been made several times to the Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government to complete the necessary activities to fill the vacant posts in the Ministry.	Taking into account the requirements, the staff should be recruited without delay.

2022. In these vacancies, there were staff shortages that are critical to the performance of the Ministry and in addition 11 Training and Research Assistant/Development posts and 2 posts in the Office Support Service in the National Center for Leadership Development were remained redundant.