

National Sports Fund - 2013

The audit of financial statements of the National Sports Fund for the year ended 31 December 2013 comprising the balance sheet as at 31 December 2013 and the income and expenditure account and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory 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 Section 13(1) of the Finance Act, No. 38 of 1971 and Section 25(4) of the Sports Act, No. 25 of 1973. My comments and observations on these financial statements appear in this report.

1.2 Management's Responsibility for Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with the Generally Accepted Accounting Principles and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub - sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and the extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 **Basis for qualified Opinion**

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. **Financial Statements**

2.1 **Qualified Opinion**

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the National Sports Fund as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

2.2 **Comments on Financial Statements**

2.2.1 **Lack of Evidence for Audit**

The following evidence was not presented to audit.

Item	Value	Evidence not made Available
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	Rs.	
Expenditure on National Sports Meet - XXXIX	2,480,500	Details of payments
Payments for the Sri Lanka Football Federation	236,000	Receipts
Expenditure on overseas accommodation of the Secretary of the Football Federation	110,000	Bills

2.3 **Non – compliance with Laws, Rules, Regulations and Management Decisions.**

Instances of non-compliance with laws, rules and regulations are analysed below.

Reference to Laws, Rules etc.	Non-compliance
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(a) Public Finance Circular No. 431 of 28 April 2008	Even though the air tickets for foreign tours should always be purchased and seats be reserved from Government approved institutes, contrary to that, a sum of Rs, 1,151,000 had been spent from the Sports Fund for the purchase of air tickets in business class from a foreign airline through a private company in respect of overseas travel of three officers according to the invitation of the

International Olympic Committee. Air tickets had been purchased from a private company by spending a sum of Rs. 121,350 for participating in the International Schools Netball Tournament.

- (b) Section 25(2) of the Sports Act, No. 25 of 1973 Even though the Secretary to the Ministry should prepare a report on the administration of the Fund as soon as possible after the end of each calendar year, no such report had been prepared.

3. **Financial Review**

3.1 **Financial Results**

According to the financial statements presented, the operations of the fund for the year under review had resulted in a deficit of Rs.12,468,672 as against the surplus of Rs.19,923,798 in the preceding year thus indicating a deterioration of Rs.32,392,470 in the financial result as compared with the preceding year.

4. **Operating Review**

4.1 **Performance**

Even though the main objectives of the Fund are encouragement of sports and improvement and development of sports of Sri Lanka, a Corporate Plan and an Action Plan had not been prepared and implemented thereon. At present the function of the Fund is limited only to give a certain amount of money on a request made by sports societies and persons for a sports activity was observed.

5. **Accountability and Good Governance**

5.1 **Budgetary Control**

The following observations are made.

- (a) Even though the budget of the Sports Fund for the year 2013 had been approved on 31 December 2012, the revised budget had been approved only on 18 December 2013.
- (b) In preparing the budget, provisions had not been made from the budget for the expenditure of SAARC Operation Office. However, a sum of Rs. 155,000 had been spent for office expenditure in the year.

- (c) The actual income had decreased by Rs. 20,610,057 or 22 per cent than the budgeted income and the actual expenditure had decreased by Rs. 8,096,384 or 09 per cent than the budgeted expenditure. Even though a net surplus of Rs. 45,000 was expected from the budget, a net deficit of Rs. 12,468,672 had been actually reported.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Secretary to the Ministry from time to time. Special attention is needed in respect of following areas of control.

- (a) Budgetary Control
- (b) Utilization of Funds
- (c) Income
- (d) Accounting
- (e) Granting Donations