

**Report of the Auditor General relating to the Ministry of Sports and the Department under the Ministry – Year 2010.**

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This report consists of two parts.

Part I – Summary report relating to the Ministry and the Department under the Ministry.

Part II – Detailed report relating to each Appropriation Head

**Part I**

Summary report on the Accounts of the Ministry of Sports and the Department under the Ministry

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1. Department under the Ministry

Head of Expenditure	Name of Department
219	Department of Sports Development

2. Annual Action Plan

The Ministry of Sports had not prepared an Annual Action Plan up to 31 December 2010. The Department of Sports Development had not prepared an Annual Action Plan at the beginning of the year of accounts while two Action Plans had been prepared separately only for the period from January to April and May to July 2010.

3. Accounts

3:1 Appropriation Account

(a) Presentation of Accounts

Two Appropriation Accounts relating to the Ministry of Sports and the Department of Sports Development had been presented to audit by 31 March 2011.

(b) Total Provision and Expenditure

The total net provision made for the Ministry and the Department amounted to Rs.1,389,084,390 and out of that a sum of Rs. 1,218,823,919 had been utilized by the end of the year under review. Therefore, the net savings of the Ministry and the Department ranged between Rs.71,796,517 and Rs. 98,463,954 or 17 per cent and 10.18 per cent of the total net provision. Details appear below.

Appropriation Head	Ministry/ Department	Net Provision		Utilization		Savings	
		Recurrent	Capital	Recurrent	Capital	Recurrent	Capital
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
136	Ministry of Sports	197,441,390	224,815,000	191,700,779	158,759,094	5,740,611	66,055,906
219	Department of Sports Development	299,603,000	667,225,000	291,648,985	576,715,061	7,954,015	90,509,939
	Total	497,044,390	892,040,000	483,349,764	735,474,155	13,694,626	156,565,845

### 3.2 Advance Accounts

#### 3.2.1 Advances to Public Officers Account

##### (a) Presentation of Accounts

Two Advances to Public Officers Accounts that should be prepared for the year under review by the Ministry and the Department had been presented to audit by 31 March 2011.

##### (b) Compliance with Limits

The Ministry and the Department had complied with the limits on the Advances to Public Officers Accounts authorized by Parliament.

### 3.3 General Deposits Accounts

The balances of the General Deposits Accounts of the Ministry and the Department as at 31 December 2010 totalled Rs. 55,131,137 and an age analysis thereon is given below.

Ministry / Department	Appropriation Head	Age Analysis			Balance as at 31 December 2010
		Less than 01 year	Over 01 year less than 02 years	Over 02 years less than 05 years	
		Rs.	Rs.	Rs.	Rs.
Ministry of Sports	136	5,727	1,342,187	-	1,347,914
Department of Sports Development	219	34,661,96	16,299,452	2,821,855	53,783,223
<b>Total</b>		<b>34,667,643</b>	<b>17,641,639</b>	<b>2,821,855</b>	<b>55,131,137</b>

## **Part II**

### **Detailed Report relating to each Appropriation Head**

#### **1. Appropriation Head 136 - Ministry of Sports**

The Appropriation Account including the financial reports, reconciliation statements, books, registers and other records of the Ministry of Sports for the year ended 31 December 2010 were audited in pursuance of provisions of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Secretary to the Ministry on 26 September 2011. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

#### **1.2 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation Statements**

The Chief Accounting Officer is responsible for the maintenance, preparation and fair presentation of the Appropriation Account and Reconciliation Statements in accordance with the provisions of Article 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions and the Public, Financial and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

#### **1.3 Audit Observations on the Accounts and Reconciliation Statements**

According to the Financial Reports and the Books for the year ended 31 December 2010, it was observed that except for the effects of the general observations appearing at (a) to (d) and the other major audit observations appearing in paragraphs 1.4 to 1.6 herein, the Appropriation Account and the Reconciliation Statements of the Ministry of Sports have been prepared satisfactorily.

(a) Presentation of Accounts

- (i) It was observed during audit test checks that the Ministry had not maintained the following registers while certain other registers had not been maintained in the proper and updated manner.

Type of Register	Relevant Regulation	Observation
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Register of Fixed Assets	Public Finance Circular No. 402(1) dated 20 February 2004, Public Accounts Circular No.174 dated 18 October 2004 and the Financial Regulation 802	The Register of Fixed Assets had not been prepared.
Register of Fixed Assets relating to computer accessories and software	Treasury Circular No.IAI/2002/02 dated 18 November 2002	The Register of Fixed Assets had not been prepared.

(b) Budgetary Variance

- (i) The entire net provisions amounting to Rs.695,000 made for 05 Objects under Head 136 had been saved.
- (ii) Excess provisions had been obtained for 12 Objects and as such the savings thereunder after utilizing the provisions, ranged between 99 per cent and 26 per cent.
- (iii) The entire net provisions amounting to Rs.2,700,000 made for 03 Recurrent Expenditure Heads had been saved and transferred to other Expenditure Heads.

(c) General Deposits Account

The balances of the General Deposits Accounts as at 31 December 2010 totalled Rs. 1,347,914 and a sum of Rs.1,268,290 received by the Fund from a private television institute on 22 May 2009 had been retained in the General Deposits Accounts.

(d) Reconciliation Statement on Advances to Public Officers Account

(i) The balances that remained outstanding by 31 December 2010 of the Reconciliation Statement on Advances to Public Officers Account, Item No.13601 totalled Rs.71,484 and this balance was relating to the balance of an officer interdicted from the service on 18 January 2008. The position of follow up action taken on recovery of those outstanding balances was at a weak level.

(ii) The balance of the loan control account according to the books of the Department amounted to Rs.14,869,937 while the balance according to the books of the Treasury amounted to Rs.15,045,435. Therefore, a difference of Rs.175,498 had existed and action had not been taken to settle this balance.

(iii) The opening balances of the loans of 05 officers who had transferred to the Ministry from other Departments, aggregating Rs.1,827,468 had not been entered in the register of members loan.

1.4 Assets Management

Unsettled Liabilities

The unsettled liabilities that remained for less than one year as at 31 December 2010 by the Ministry amounted to Rs. 2,274,232.

1.5 Deficiencies in the Operation of Bank Accounts

Balances for Adjustment

Information revealed at an analysis of the adjustments shown in the Bank Reconciliation Statements prepared for the month of December 2010 is given below.

Particulars of Adjustments	Age Analysis		Total
	Over 06 Months less than 01 year	Over 01 year less than 03 years	
	Rs.	Rs.	Rs.
Cheques issued but not presented for payment	12,154	92,805	104,959

1.6 Human Resources Management

Approved Cadre and Vacancies

The position of the cadre as at 31 December 2010 had been as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies	Number of Excesses
(i) Senior Level	01	01	-	-
(ii) Tertiary Level	10	08	02	-
(iii) Secondary Level	33	23	10	-
(iv) Primary Level	22	13	09	-
(v) Others (Casual/ Temporary/ Contract basis)	-	08	-	08
<b>Total</b>	<b>66</b>	<b>53</b>	<b>21</b>	<b>08</b>

2. Appropriation Head 219 - Department of Sports Development

The Appropriation Account including the financial reports, reconciliation statements, books, registers and other records of the Department of Sports Development for the year ended 31 December 2010 were audited in pursuance of provisions of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Director General of the Department on 26 September 2011. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

2.2 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation Statements

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The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Account in accordance with the provisions of Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions and the Public Financial and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliation Statements that are free from material misstatements whether due to fraud or error.

2.3 Audit Observations on the Accounts and Reconciliation Statements

According to the financial reports and the books for the year ended 31 December 2010, it was observed that except for the effects of the general observations appearing at (a) to (d) and the other major audit observations appearing in paragraphs 2.4 to 2.13 herein, the Appropriation Account and the Reconciliation Statements of the Department of Sports Development have been prepared satisfactorily.



(a) Presentation of Accounts

- (i) It was observed during the audit test checks that the Department had not maintained the following registers while certain other registers had not been maintained in the proper and updated manner.

Type of Register	Relevant Regulation	Observation
Register of Fixed Assets	Public Finance Circular No. 402(1) dated 20 February 2004, Public Finance Circular No.174 dated 18 October 2004 and the Financial Regulation 802	The Register of Fixed Assets had not been prepared. This had been indicated in the report for the previous year too.
Register of Losses and Damages	Financial Regulation 110	It had not been prepared.
Register of Fixed Assets relating to computer accessories and software	Treasury Circular No.IAI/2002/02 dated 28 November 2002	It had not been prepared.
Administrative Report	Public Finance Circular No. 402 dated 12 September 2002	The Administrative Report had not been prepared.

- (ii) Seven transactions valued at Rs.5,290,724 could not be satisfactorily vouched in audit due to evidences such as estimates, approval for the expenditure, work done report, name list and approval of the Cabinet of Ministers were not made available at the Department.
- (iii) Replies for 08 audit queries submitted to the Department during the year under review had not been presented up to 31 March 2011 and the value of

quantifiable transactions relating to those audit queries amounted to Rs.396,135,969.

(b) Budgetary Variance

- (i) The entire net provisions amounting to Rs. 6,850,000 made under 02 Objects of Head 219 had been saved.
- (ii) Excess provisions had been obtained for 05 Objects and as such the savings thereunder after utilizing the provisions, ranged between 80 per cent and 30 per cent.
- (iii) Transfers amounting to Rs.3,700,000 made through 5 authority paper for recurrent expenditure under Financial Regulation 66 had not been disclosed in the Appropriation Account.

(c) General Deposits Account

- (i) Action in terms of Financial Regulation 571 had not been taken in respect of 14 balances of deposits amounting to Rs. 2,821,855 existing over 02 years.
- (ii) The balances of the General Deposit Account had not been reconciled with the books of the Treasury in terms of Financial Regulation 427.
- (iii) Although a new deposit ledger should be opened for each year and the prior year balances should be carried forward as one item in terms of Financial Regulation 565(4), one deposit ledger had been maintained for the years 2009 and 2010 and the balance for each item had not been entered.
- (iv) Although a Balancing Account should be prepared by allocating few pages at the end of the ledger in terms of Financial Regulation 565(3), such monthly balancing account had not been prepared.

- (v) The monthly deposits summary that should be prepared in Form General 71 for each month in terms of Financial Regulation 565(5), had not been prepared.

(d) Reconciliation Statement on Advances to Public Officers Account

- (i) The balances that remained outstanding by 31 December 2010 of the Reconciliation Statement on Advances to Public Officers Account, Item No.21901 totalled Rs.169,625 and the position of follow up action taken on recovery of those outstanding balances was at a weak level.
- (ii) According to paragraph 9.1 of the Public Enterprises Circular No.96 dated 18 August 1994, the printed C.C.10 Register should be prepared for entering the abatement of loan and interest thereon. However, separate registers had been maintained for entering the abatement of loan and recovery of interest.
- (iii) Although a salary register should be maintained for entire staff other than casual and daily paid labour in terms of Financial Regulation 453, that register had not been maintained. Reports containing only the computerized data had been maintained.

2.4 Assets Management

(a) Conduct of Annual Boards of Survey

Even though the Department should conduct Annual Boards of Survey in terms of Financial Regulation 756 and the Public Finance Circular No.436 dated 19 November 2008, the Board of Surveys for the year 2010 had not been conducted. The last Board of Survey conducted had been for the year 2009.

(b) Maintenance of Stores

Stores were being maintained at the premises of the Head Office and several places of the Read Mawatha Sports Building Complex and certain goods had been

damaged by leakage of rain water due to improper construction of stores at the Read Mawatha Sports Building Complex.

(c) Computation of Closing Stocks

Goods had existed at the stores for more than 20 years and the value of those goods could not be computed as prices not marked on it. The goods valued at Rs.3,455,625 out of the goods purchased during the year 2010, had existed at the stores up to 31 December 2010 without distributing them. The value of those goods had represented 54 per cent of the total purchases.

(d) Unsettled Liabilities

The liabilities that remained without being settled as at 31 December 2010 by the Department amounted to Rs. 13,458,162 and those liabilities had existed for less than one year period.

2.5 Non – compliances

(a) Non – compliance with Laws, Rules, Regulations, etc.

Instances of non – compliance with the provisions of laws, rules and regulations observed during audit test checks are analyzed below.

Reference to Laws, Rules and Regulations	Value	Non - compliance
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	Rs.	
(i) Financial Regulations		
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F.R 94	12,447,920	Although no expenditure or commitment should be incurred unless adequate financial provision exists therefor in the annual estimates, in 06 instances liabilities had been incurred exceeding the savings after expenditure.
F.R 395 (c)	-	A list had not been prepared for cheques not presented for payments.
F.R 735 (2)	-	Goods receipt book on Form 219 had not been prepared.
(ii) Circular Provisions		
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Treasury Circulars		
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Guidelines on preparation of Budget for the year 2010 (Budget Circular 143)	1,064,626	Even though the personal emoluments should be computed according to the actual requirement of employees, funds had been saved in the Object Code 219-01-01-1001 due to computation of personal emoluments based on number of vacancies too.

Paragraph 2.1 of the Circular No. 06/2010 dated 04 November 2010 - An officer responsible for settlement of Cash Book had not been appointed and no one had settled the Cash Book and placed his signature by using name and designation as at 31 December 2010.

2:6 Weaknesses in the Implementation of Projects

Instances of abandoning projects without commencing, abandoning projects and projects without progress despite release of funds revealed during audit test checks are given below.

(a) Projects abandoned without Commencing

Provision amounting to Rs.100,000,000 had been made for construction of artificial runway of the Torrington Playground and out of this, a sum of Rs.93,200,000 had been transferred to other Objects while the rest of the provision amounting to Rs.6,800,000 had not been utilized for any projects. The reason for not implementing this project had not been explained. A sum of Rs.4,166,810 had been spent in the month of January 2010 for the ceremony of laying foundation stone of this project.

(b) Abandoning Projects

The estimated cost of the development of Nuwara Eliya Horse Race Ground amounted to Rs.227,670,000 and a sum of Rs.190,307,274 had been spent as at 31 December 2010. The construction works of this project had been abandoned in August 2010.

(d) Projects without Progress Despite Release of Funds

The following matters were observed.

- (i) The construction works of the Reed Mawatha Artificial Hockey Ground had been awarded to the State Engineering Corporation on 15 September 2008 through the approval of the Cabinet of Ministers and it was agreed to complete by 30 June 2009. However, it had not been completed up to April 2011.
- (ii) Even though the agreed value being 3 per cent to 6 per cent of the contract value should have been paid to the Urban Development Authority as consultancy service charges in terms of the approval of the Cabinet of Ministers, 10 per cent had been paid contrary to the approval of the Cabinet of Ministers.

2.7 Performance

The observations on the progress of the Department according to the Annual Estimates for the year 2010/ Action Plans are given below.

(a) Key Functions not carried out Adequately

The Department had not carried out certain key functions adequately and several such instances observed are given below.

Kreeda Sakthi Programme

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The following matters were observed.

- (i) Even though the objective of the Kreeda Sakthi Programme was “ to produce talented sportsmen and sportswomen able to win the international competition, sports other than athletics, volleyball, netball, kabady and football were being operated in few districts only (3-4 districts)”. Therefore, the objectives of the project could not be achieved.

- (ii) According to the above details, several sports had been restricted to few districts and necessary action had not been taken to expand them to all the districts.
- (iii) The approved curriculum for the above mentioned each sports and the targets to be achieved thereby had not been recommended. In most cases, it had been decided on the basis of the ability of the coacher. Monthly, quarterly and annual testing had not been carried out to check the progress of the coaching.
- (iv) According to the General Regulations prepared for the Kreedha Sakthi project, various strategies had been identified to bring this project at the higher level. However, they were not in operation.
- (v) There were external as well internal coaches under the Kreedha Sakthi programme and the external coaches had dominated for all the sports. It was observed that a best assessment system on external coaches had not been implemented and they had not been deployed on full time coaching programme.
- (vi) Provisions amounting to Rs.64,003,323 of the Object 219-2-2-3-2104 had been saved due to improper management of the renovation works of the Sports Complex at Reed Mawatha and not carrying out activities as expected. A sum of Rs.10,000,000 had been transferred to other Objects under Financial Regulation 66 and if not done so, the savings would have been 42.28 per cent.

(b) Purchasing and Distribution of Sports Materials

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Provision had been made for purchasing sports materials under the Object 219-2-2-2103 and a sum of Rs.6,410,590 had been spent during the year 2010 for purchasing sports materials.



(i) Preparation of Estimates and Purchasing

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- Annual requirement for purchasing sports materials had not been identified and an estimate had not been prepared.
  - Request had been made for obtaining provision corresponding with the expenditure for the previous year.
  - A plan was not made available for carrying out expenditure from this provision and purchases had been made for the necessity arisen occasionally.

(ii) Issuing Goods

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The following matters were observed.

- Even though more valuable sports goods were being issued every year to sports societies, schools and other parties, a transparent procedure had not been prepared for distribution of sports goods.
- It was observed that the sports goods had been distributed among the sports societies and other parties based on the necessities of various outside parties with the mediation of them and the distribution of goods with the direct mediation of the Department was at very insignificant level. Therefore, there was no transparency in the distribution of sports goods.
- There were instances of not submitting the written request made for the requirements along with the request submitted for issuing goods.
- Deficiencies such as not entering the sports goods in the stock registers while distributing them, not obtaining approval for distribution, not placing signature by the relevant parties for taking over of goods and entering the distribution under other goods without entering under the relevant goods were observed.

- Decision had not been taken with regard to the maximum of sports goods could be distributed to each party or sports society at one time while the goods had been distributed to various parties at various quantities.

(c) Non-compliance with the Annual Action Plan

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 The Department had not prepared the Annual Action Plan at the beginning of the year of accounts. Two Annual Action Plans had been prepared separately for January to April 2010 and May to July 2010 while an Action Plan had not been prepared for the period from August to December.

2.8 Deficiencies in the Operation of Bank Accounts

(a) Balances for Adjustment

Information revealed at an analysis of the adjustments shown in the Bank Reconciliation Statements prepared for December 2010 is given below.

Particulars of Adjustments	Over 06 Months less than 01 year
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	Rs.
(i) Unrealised Deposits	8,483
(ii) Cheques issued but not presented for payment	873,323
(iv) Unidentified Credits	47,000

The following observations are made in this connection.

- The value of cheques existed for more than 06 months as at 31 December 2010 without taking action in terms of Financial Regulation 396 amounted to Rs. 873,323.
- A list to be prepared in terms of Financial Regulation 395 (c) in respect of cheques not presented for payment had not been prepared.

## 2.9 Irregular Transactions

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Certain transactions entered into by the Ministry and Department were devoid of regularity. Several such instances observed are given below.

### (a) Deviation from the Procedure laid down in the Procurement Guidelines

- (i) A sum of Rs.600,000 had been paid to a private institution for the renovation activities of the schools which had provided accommodation facilities for the marathon and walking competition of the 36<sup>th</sup> National Great Sports Festival. This institution had been selected by following tender procedure and an estimate or a work done report had not been submitted for this activity.
- (ii) The approval of the Tender Board had not been obtained in terms of Paragraph 12.14.1 of the Procurement Guidelines for purchasing sports goods valued at Rs.5,938,652. Out of this, a stock of sports goods valued at Rs.3,630,500 had been purchased without identifying the necessity.
- (iii) Although specifications should be prepared for goods in terms of Section 5.6.1 of the Government Procurement Guidelines, action had not been taken accordingly for purchasing sports goods.
- (iv) Equipment with equal quantity and equal type aggregating Rs.395,885 had been purchased from the same institute in the same day in equal two parts. It was observed that this action had been made to avoid the tender procedure.

### (c) Others

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The following observations are made.

- (i) Purchase of body-building equipment valued at Rs.39,940,506 for the body-building hall.
- Necessary financial provision had not been requested for purchasing equipment by carrying out forecasts and, subsequently, the estimate prepared for purchases amounted to Rs.24,461,200. It should be corrected as Rs.24,761,500 due to arithmetical errors and the actual value of goods purchased amounted to Rs.39,940,506 and as such it was observed that this was a bogus estimate. According to the actual expenditure, it was observed that those purchases should be approved by the Cabinet of Ministers.
  - A sum of Rs.15,000,000 only had been provided through the budgeted estimate for Object 219-02-2103 for purchasing sports material for the year 2010 due to not requesting provision from the Treasury according to the necessity. Action had been taken to obtain funds amounting to Rs.24,940,506 for purchasing body-building equipment due to not considering about the provision.
  - Although action had been taken to purchase these equipment considering as very urgent purchases for the training activities of the sportsmen and sportswomen determined to participate in the Commonwealth Countries Sports Meet and Asian Sports Festival decided to conduct in the months of October and November 2010, the above condition was not taken under the urgent procurement in terms of Section 3.8 of the Procurement Guidelines and the relevant goods had been purchased after several months from the end of these competition.
  - Action had not been taken to enter the receipts of goods in the stock books as specified.
  - A cheque written on behalf of the relevant institution before receiving the sports goods valued at Rs.10,130,533 on 31

December 2010 had been retained without submitting for payment. This cheque had been cancelled and again this payment had been settled on 15 January 2011 by 03 cheques. Payment had been made by deducting a sum of Rs.533,300 as the goods at this value were not in accordance with the orders. Therefore, the net payment was Rs.9,098,371. However, it was observed in audit that the payments had been made before receiving the goods as these goods were received on 18 January. Further, these goods had not been taken to the stock book up to April 2011.

(ii) Renovation of Rural Playground  
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- Equipment purchased at Rs.168,575 for providing illumination to the rural playgrounds had been shown under Object 1405-2-2-2 instead of showing under Object 219-2-2-2001-1.
- The goods which were not fit for the necessity had been purchased by paying Rs.33,750.

2.10 Losses and Damage

The following instances of losses and damage were observed during audit test checks.

- (i) A loss of Rs.1,727,676 had incurred due to purchasing higher value goods instead of purchasing lower value goods.
- (ii) Reusable electric equipment valued at Rs.395,885 issued for Deyatakirula Exhibition and for illuminating the building of the Department had not been returned back to the stores after completing the above activities.

2.11 Operating Inefficiencies

Sports Schools Project

It was observed at the audit test check in respect of the payment of Rs.5,284,000 made from January to August 2010 for the Sports School Project that the above payment had been made irregularly and inefficiently.

2.12 Human Resources Management

Approved Cadre and Vacancies

The position of the cadre as at 31 December 2010 had been as follows.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
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(i)	Senior Level	09	04	05
(ii)	Tertiary Level	15	11	04
(iii)	Secondary Level	170	123	47
(iv)	Primary Level	51	41	10
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	Total	245	179	66
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2.13 Internal Control

(a) Internal Audit

There was no an Internal Audit Unit within the Department and the Internal Audit Unit of the Ministry had also not carried out the audit