

## **Sugathadasa National Sports Complex Authority - 2010**

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### **1. Financial Statements**

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#### **1.1 Opinion**

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So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Sugathadasa National Sports Complex Authority had maintained proper accounting records for the year ended 31 December 2010 and except for the effect on the financial statements of the matters referred to in paragraph 1.2 of the this report, the financial statements have been prepared in accordance with Sri Lanka Accounting Standards and give a true and fair view of the state of affairs of the Sugathadasa National Sports Complex Authority as at 31 December 2010 and the financial results of its operation and cash flows for the year then ended.

#### **1:2 Comments on Financial Statements**

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##### **1:2:1 Sri Lanka Accounting Standards**

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The following observations are made.

- (a) Although a Fund should be established for employees' gratuity in terms of Sri Lanka Accounting Standard -16, such a Fund had not been established up to the year under review.
- (b) Three hand tractors, a motor bicycle and other equipment at a cost of Rs.11,691,001 belonging to the Authority which were fully depreciated but, being used up to 31 December 2010, had not been revalued and brought to account.

### **1:2:2 Accounting Deficiencies**

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Two items of assets had been over depreciated by Rs. 5,420,230 whereas 02 items of assets had been under depreciated by Rs. 34,488.

### **1:2:3 Accounts Receivable and Payable**

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The following observations are made.

- (a) Confirmation of balances had not been obtained for balances aggregating Rs.179,485,765 relating to 05 parties.
- (b) Debtors balances as at 31 December 2010 amounting to Rs. 43,736,676 had comprised the balances receivable from miscellaneous debtors and 19 other institutions amounting to Rs. 3,900,800. Loan balances receivable from Sri Lanka Cricket Institution amounting to Rs. 25,933,845 had also included in the above balances and it represented 59 per cent of the total debtors.
- (c) The Sports Hotel had been leased out to the National Olympic Committee and a sum of Rs. 552,195 had to be recovered due to nonpayment of lease as specified.
- (d) A sum of Rs. 4,465,941 had to be recovered by the Authority as at 31 December of the year under review in respect of allocation of playground and out of this a sum of Rs. 4,309,400 had existed for more than 2 years.
- (e) A balance amounting to Rs. 2,691,852 had been shown in the advances account for the year ended 31 December 2010 and it consisted balances for the years 2007, 2008 and 2009 amounting to Rs. 1,727,547, Rs. 75,249 and Rs. 108,802 respectively.

### **1.2.4 Lack of Evidence for Audit**

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Confirmation of balances, detailed schedule, verification report, etc. in respect of sums aggregating Rs. 11,409,100 relating to 02 items had not been submitted. As a result, those items could not be satisfactorily vouched or accepted in audit.

## **2. Financial and Operating Review**

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### **2:1 Financial Review**

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#### **2:1:1 Financial Results**

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According to the financial statements presented, the operational activities of the Authority for the year ended 31 December 2010 had resulted in a deficit of Rs.83,386,233 as compared with the corresponding deficit of Rs. 52,230,891 for the previous year thus indicating a deterioration in the financial results of the year under review by Rs.31,155,342 as compared with previous year.

#### **2:1:2 Analytical Financial Review**

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An analysis of the income statement of the Authority furnished for audit indicates a decrease of Rs.4,260,000 in the Government grant for revenue expenditure of the year under review as compared with the previous year. It represented a decrease of 6 per cent. Similarly, the operating income of the Authority had increased by Rs.3,756,658 and the operating expenditure had increased by Rs.30,112,867. The percentage of increase of income was 6 per cent and the percentage of increase of expenditure was 14 per cent.

## 2:2 Operating Review

### 2:2:1 Performance

(a) Details of income earned and the expenditure incurred by each stadium of the Authority during the year under review and previous 2 years are shown below.

Stadium	2008			2009			2010		
	Income	Expenditure	Surplus/ Deficit	Income	Expenditure	Surplus/ Deficit	Income	Expenditure	Surplus/ Deficit
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	Million	Million	Million	Million	Million	Million	Million	Million	Million
Indoor Stadium	31	62	(31)	34	71	(37)	40	142	(102)
Open Air Stadium	17	30	(13)	16	34	(18)	16	48	(32)
Bogambara Stadium	4	14	(10)	4	18	(14)	3	21	(18)
R. Premadasa Stadium	3	-	3	3	-	3	3	-	3
Beliattha Stadium	-	-	-	0.4	1	(0.6)	0.1	2	(1.9)
Total	55	106	(51)	57.4	124	(66.6)	62.1	213	(150.9)

The following observations are made in this connection.

- (i) The percentage of increase of income of the Indoor Stadium was from 10 per cent to 18 per cent. The corresponding rate of increase of expenditure was from 13 per cent to 100 per cent. Accordingly, every year the expenditure had increased in a fast rate than the rate of increase of income.
  - (ii) Income of the Open Air Stadium had shown a decreasing trend and the expenditure was in a high value.
  - (iii) Level of income of the Bogambara Stadium in the year 2010 had decreased and the expenditure had increased from 17 per cent to 26 per cent.
  - (iv) Income of the Beliatta Stadium had decreased by 69 per cent whereas expenditure had increased by 68 per cent. Accordingly, not taking effective measures to increase the income of the above stadiums and incurring expenditure without the proper management had effected to the above situation.
- (b) A note pertaining to the total sports competitions and festivals conducted at each stadium of the Authority during the year under review and preceding 02 years are shown below.

Description	Indoor Stadium			Open Air Stadium			Bogambara Stadium		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
Sports Competitions	22	55	29	108	162	168	61	80	57
Musical Shows	4	05	11	-	-	-	-	-	-
Examinations and Seminars	12	16	27	-	-	-	-	-	-
Others	13	35	17	7	423	306	235	54	46
<b>Total</b>	<b>51</b>	<b>111</b>	<b>84</b>	<b>115</b>	<b>585</b>	<b>474</b>	<b>296</b>	<b>296</b>	<b>103</b>

### 2.2.2 Non Achievement of Budgeted Target

The following observations are made.

- (i) Although a sum of Rs. 50,000,000 had been approved as per budget estimate for two items such as preparing 400 X 200 relay track again and testing of water leakage in the

swimming pool and repairing it, it was unable to complete those activities during the year under review.

- (ii) Even though it was shown that conducting training courses and programmes on sports with the purpose of encouraging sports in rural areas was a key function of the Authority, provision had not been made in the budget thereon during the year under review.

### 2.2.3 Deficiencies in Lease Agreement

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The following deficiencies were observed in the lease agreement for leasing out of R. Premadasa Stadium to the Sri Lanka Cricket Institute.

Condition in the Lease Agreement	Deficiency
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<p>(a) According to Section 04(s), of the agreement, the lessee should obtain full insurance cover by obtaining the advice of the lessor with regard to the entire buildings and premises of the stadium. However, such insurance policy had not been obtained up to the year under review.</p>	<p>Inability to settle the losses for all the buildings and premises of the Stadium.</p>
<p>(b) The decision to maintain a fixed lease rent of Rs.750,000 per quarter for such a long period of 30 years.</p>	<p>Carrying out revision to the value of lease in order to avoid future disadvantage based on depression to the value of cash had not been considered.</p>

### 2.2.4 Management Inefficiencies

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The following observations are made.

- (a) A stock of goods relating to 13 items remained unusable at the stores had to be submitted for auction. But, those stocks had not been included in the stock books and those stocks had not been verified, categorized and presented for auction.

- (b) Electronic Barrier Machine at “D” Car Park had been purchased in the year 2009 from Ceylinco Cisco Security (Private) Company for Rs. 4,912,403. At present this machine not in operating condition and action had not been taken to bring it to a good condition.
- (c) Even though it was mentioned that the following facilities were available in the relevant equipment at the time of purchasing according to the report of the Technical Evaluation Committee, it was revealed by the observation of the internal audit that those facilities were not made available.
- System of identifying the number plate
  - Identification of motor bikes and other vehicles automatically.
  - Sensitivity of that machine for self identification of any class or any type of Vehicle
  - Utilization of this vehicle observation equipment to close the road barrier or other gates automatically after departure of a vehicle.

#### **2.2.5 Identified Losses**

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A loss of Rs. 3,513,212 had to be incurred by the Authority due to abandonment of repair activities of the swimming and diving pool of the Authority by the State Engineering Corporation.

#### **2.2.6 Cost of Personnel**

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Restructuring of staff could not be carried out due to not taking action in terms of letter No.DMS/C/4/SYA-5 dated 12 December and letter No. DMS/E4/40/5/252/2 dated 28 January 2010 of the Director General of Management Services.

#### **2.2.7 Corporate Plan and Action Plan**

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According to the Public Enterprises Circular No.PED/12 dated 2 June 2003, a Corporate Plan should have been prepared containing information such as the resources belonging to the Authority, organization chart, operating results of the past 3 years, duties and responsibilities of managers and performance, a Corporate Plan had not been prepared for the year 2010.

### **2.2.8 Budgetary Control**

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Significant variances were observed between the budgeted and the actual expenditure thus, indicating that the budget had not been made use of as an effective instrument of management control.

### **2.2.9 Assets Management**

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Physical verifications had not been carried out during the year under review in respect of assets amounting to Rs. 4,229,175,680 and inventories amounting to Rs.9,145,701 in terms of Financial Regulation 756 of the Government of Sri Lanka.

## **3. Systems and Controls**

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

- (a) Management of Assets
- (b) Compliance with Laws, Rules, Regulations and circular instructions
- (c) Collection of money from debtors
- (d) Management of Revenue