

# Report of the Auditor General on Head 136- Ministry of Sports and the Department of Sports Development and the Sports Associations under the Ministry – Year 2014

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The general information on the Accounts of the Ministry and the Department under the Ministry is included in paragraphs 1 and 2 of this Report and the Audit Observations on each Head are included in the paragraphs 3 to 5.

## 1. Department under the Ministry

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Head	Department
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219	Department of Sports Development
-	Sports Associations

### 1.1 Scope of Audit

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The audit of the Appropriation Accounts and the Reconciliation Statements including the financial records, reconciliation statements, books, registers and other records of the Ministry of Sports and the Department of Sports Development for the year ended 31 December 2014 was carried out in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Reports for the year under review were issued to the Chief Accounting Officer and the Accounting Officer of the Ministry and the Department on the undermentioned dates. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and the 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 limitation of staff, other resources and time available to me.

<b>Head</b>	<b>Ministry/Department</b>	<b>Date of issue of Management Audit Report</b>
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136	Ministry of Sports	09 September 2015
219	Department of Sports Development	09 September 2015

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

The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Accounts and the Reconciliation Statements in accordance with the provisions in Articles 148, 149, 150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Finance 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. Accounts**

### **2.1 Appropriation Accounts**

#### **(a) Total Provision and Expenditure**

The total net provision made for the Ministry and the Department under the Ministry amounted to Rs.3,464.47 million and out of that a sum of Rs.2,422.93 million had been utilized by the end of the year under review. Accordingly, the savings out of the net provision of the Ministry and the Department amounted to Rs.332.04 million and Rs.709.50 million respectively or 27 per cent and 31 per cent of the net provisions of the Ministry and the Department. Details appear below.

<b>Head</b>	<b>As at 31 December</b>			<b>Savings as a Percentage of Net Provision</b>
	<b>Net Provision</b>	<b>Utilization</b>	<b>Savings</b>	
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	<b>Rs. Millions</b>	<b>Rs. Millions</b>	<b>Rs. Millions</b>	
136	1,210.32	878.28	332.40	27.43
219	2,254.15	1,544.65	709.50	31.48
<b>Total</b>	<b>3,464.47</b>	<b>2,422.93</b>	<b>1,041.54</b>	<b>30.06</b>
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**(b) Utilization of Provisions given by other Ministries and Departments**

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 The Department of Sports Development had given Rs.53 Million to the Ministry for various activities and the Ministry had utilized the full amount.

**2.2 Advance Accounts****2.2.1 Advances to Public Officers Accounts****Limits Authorized by Parliament**

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 The limits authorized by Parliament for the Advances to Public Officers Accounts of the Ministry and the Department and the actual amounts are given below.

Item Number	Expenditure		Receipts		Debit Balance	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
13601	5.00	4.11	2.80	6.22	24.00	12.28
21901	8.01	8.01	4.00	5.49	30.00	26.74

**2.3 Imprest Accounts**

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 The balance of the Imprest Account of the Department of Sports Development coming under the Ministry as at 31 December 2014 amounted to Rs.108,672.

**2.4 General Deposit Account**

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 The balances of the General Deposit Accounts of the Ministry and the Department under the Ministry as at 31 December 2014 totalled Rs.25.7 Million. Details appear below.

Ministry/ Department	General Deposit Account Number	Balance as at 31 December 2015
		Rs. Millions.
Ministry of Sports	6000/0000/00/0015/0048/000	25.6
Department of Sports Development	6000/0000/00/0015/0100/000	167.4
<b>Total</b>		<b>193.0</b>
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## 2.5 Audit Observation

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According to the Financial Records, Books, Registers and other Records for the year ended 31 December 2014 it was observed that subject to the observations appearing in the Management Audit Reports referred to in paragraph 1.1 above, the Appropriation Accounts and the Reconciliation Statements of the Ministry of Sports and the Department of Sports Development had been satisfactorily prepared. The material and important audit-observations out of the observations included in those Management Audit Reports appear in paragraphs 3 to 5 below.

## 3. Head 136 – Ministry of Sports

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### 3.1 Non – maintenance of Registers and Books

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The Ministry had not maintained certain registers shown below while certain other registers had not maintained in the proper and updated manner.

	<b>Type of Registers</b>	<b>Relevant Regulation</b>	<b>Observations</b>
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(a)	Register of Fixed Assets on Computers, Accessories and Software	Treasury Circular No. IAI/2002/02 of 28 November 2002	Not maintained
(b)	Register of Cheques and Money Orders	Financial Regulation 451	Not maintained
(c)	Register of Security Containing particular of Offices and Employees who should furnish security	Financial Regulation 891(1)	Not maintained
(d)	Register of Electrical Equipment	Financial Regulation 454(2)	Not maintained
(e)	Register of Attendance of the Procurement Committee	Guideline 2.11.2 of the Government Procurement Guidelines.	Not maintained
(f)	Minutes of the Procurement Committee	Guideline 2.11.3(a) of the Government Procurement Guidelines	Not maintained

(g)	Register of Liabilities	Financial Regulation 214	Not updated
(h)	Motor Vehicle Log Books	Financial Regulation 1645(a)	Not updated
(i)	List of Motor Vehicles	Financial Regulation 1647(e)	Not updated

### 3.2 Lack of Evidence for Audit

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Audit evidence relating to the following transactions had not been furnished.

- (a) Even though the Ministry had paid a sum of Rs.68,167,485 during the year under review to the National Olympic Committee and the Sports Associations, the Ministry had not been obtained the evidence to support that expenditure had been incurred in accordance with the laws, rules and regulations of the Government. In addition, adequate evidence whether follow-up action had been taken by obtaining records of expenditure to ensure the effectiveness of the utilization of funds, was not available.
- (b) Even though the Ministry had hired a Motor Vehicle for a Media Secretary on hire bases without following the Government Procurement Guidelines and paid Rs.474,000 in the year 2014, the Daily Running Charts of the Motor Vehicle had not been furnished to Audit.
- (c) A sum of Rs.350,000 had been paid to a private institution for the electrical illumination of the Ministry building during the Vesak week. A total cost estimate for the purpose had not been prepared in terms of the Guideline 4.3 of the Government Procurement Guidelines.

### 3.3 Appropriation Accounts

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#### Budgetary Variance

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The imprests expected for the respective months as expected by the Ministry according to the limits approved by the Department of Treasury Operations had not been issued to the Ministry by the Department of Treasury Operations. Similarly, the Ministry could not make payments for the goods as the goods ordered had not been delivered. As such the Ministry could not utilize provision ranging from 11 per cent to 100 per cent of the provision made for 34 Objects.

### 3.4 Imprest Accounts

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The following observations are made.

- (a) Ad hoc sub– Imprests totalling Rs.341,616 had been issued in 20 instances to 11 non – staff grade officers contrary to the provisions in Financial Regulation 371.
- (b) According to the Financial Regulation 371, when a sub-imprest is issued to a person other than a subordinate officer of the Accounting Officer, the authority of the Department of State Accounts of the Treasury should be obtained. Nevertheless, ad hoc sub-imprests totalling Rs.290,700 had been issued in two instances to the Sports Fund of the Ministry and Sri Lanka Transport Board without obtaining such approval.
- (c) Even though the ad hoc sub-imprests obtained should be settled immediately after the completion of the purpose, ad hoc sub-imprests totalling Rs.563,563 issued in 25 instances had been settled after delays ranging from 15 days to 5 months since the completion of the purpose.
- (d) Even though the maximum ad hoc sub-imprests issued to a Staff Officer in one instance, according to Financial Regulation 371 should not exceed Rs.20,000, contrary to that, ad hoc sub-imprests totalling Rs.228,000 which exceeded the limit of Rs.20,000 had been issued to 03 Offices in 03 instances.

### **3.5 General Deposit Account**

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Action in terms of the Financial Regulation 571 had not been taken on 32 deposits totalling Rs.12,535,034 older than 2 years.

### **3.6 Reconciliation Statement of the Advances to Public Officers Account**

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An audit test check of the Reconciliation Statement of the Advances to Public Officers Account Item No.13601 as at 31 December 2014 it was revealed that the follow-up action on the recovery of the outstanding loan balances amounting to Rs.451,335 recoverable from officers who had been transferred out, retired and vacated post and existing over periods ranging from 6 months to 2 years had been at a weak level.

### **3.7 Good Governance and Accountability**

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#### **3.7.1 Annual Action Plan**

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The capital expenditure had not been included in the Annual Action Plan prepared by the Ministry in terms of the Public Finance Circular No.01/2014 of 17 February 2014. Even though Provision of Rs.83.72 Million had been made in the Annual Budget Estimates for the Sports Medical Institute, that had been shown as Rs.58.73 Million in the Action Plan, Understating that by a sum of Rs.25 Million. Similarly, the Provision of Rs.727.57 Million had been made for administrative and institutional services of the Ministry it was shown as Rs.227.58 Million in the Action Plan.

### 3.7.2 Internal Audit

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Provision of Rs.1,210,320,000 had been made for the Ministry in the Annual Budget Estimates and the Ministry owned assets valued at Rs.212,336,744. But the Internal Audit Unit of the Ministry had not carried out an adequate internal audit.

### 3.8 Unsettled Liabilities

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The unsettled liabilities of the Ministry less than one year old as at 31 December 2014 amounted to Rs.36,220,788. The unsettled liabilities totalling Rs.36,220,788 of 9 Objects had not been shown in the Appropriation Account for the year under review.

### 3.9 Non – Compliance with Laws, Rules and Regulations

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

Reference to Laws, Rules and Regulations	Value	Non-compliance
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	Rs.	
<b>(a) Establishments Code of the Democratic Socialist Republic of Sri Lanka</b>		
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Chapter XV, Section 11.1	698,660	Even though air travel of all officers should traveled be in the Economy Class, contrary to that Business Class tickets had been purchased.
<b>(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka</b>		
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(i) Financial Regulation 103(1)	-	Evidence that the Officers concerned had reported the accidents to Motor Vehicles to the Police had not been recorded in the Register of Losses.
(ii) Financial Regulation 396(d)	22,480,768	Action in terms of the Financial Regulation had not been taken on 65 cheques older than 6 months relating to the years 2010 to 2014.
(iii) Financial Regulation 880	-	The Ministry had not taken action

to obtain security from Officers who should furnish security.

- |      |                              |   |   |
|------|------------------------------|---|---|
| (iv) | Financial Regulation 1646    | - | The Daily Running Charts and the Monthly Performances Summaries that should be prepared for the pool Motor Vehicles had not been prepared and furnished to the Auditor General. |
| (v)  | Financial Regulation 1647(b) | - | Action had not been taken to conduct a survey of the Motor Vehicles and the tools.  |
| (vi) | Financial Regulation 1647(e) | - | Three Motor Vehicles of the Ministry had not been entered in the Register of Motor Vehicles.  |

**(c) Public Administration Circulars**

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|-------|---|---|--|
| ----- |   |   |  |
| (i)   | Circular No.41/90 of 10 October 1990 Paragraph 2.2.11 | - | Even though the fuel consumption of Motor Vehicles should be tested once in every 6 months, it had not been so done in respect of 41 Motor Vehicles of the Ministry. |
| (ii)  | Circular No.01/2002 of 25 February 2012               | - | Action had not been taken for painting of the State Emblem and the name of the Ministry on the Motor Vehicles of the Ministry.                                       |

**(d) Treasury Circulars**

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|-------|---|-----------|--|
| ----- |   |           |  |
| (i)   | National Budget Circular No.1/2014 of 01 January 2014 | 822,000   | Registration and monthly fees collected by the Physical Health Unit from July 2014 to 18 May 2015 had been retained in the Deposit Account without being credited to the Consolidated Fund |
| (ii)  | Public Finance Circular No.431 of 24 April 2008       | 1,425,660 | Even though air travel tickets for foreign travel should always be purchased from the approved Companies, contrary to that purchases had been made from Private Companies.                 |



**(e) Circular of the Presidential Secretariat**  
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Circular No CA/1/17/1 of 14 May 2010 of the Secretary to the President.

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|-----------------|---------|--|
| - Paragraph 5.7 | 100,000 | Expenditure on fuel exceeding the approved limit had been incurred.  |
| - Paragraph 3.1 |         | Even though the maximum number of Motor Vehicles that can be allocated to the Minister is 3, nine motor vehicles had been allocated. |

**3.10 Transactions without Authority**  
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Despite the unavailability of Provisions, 14,000 Carom Boards and Draught Boards costing Rs.39,061,290 had been purchased for distribution among Sports Clubs without following any of the Provisions in the Government Procurement Guidelines. Even though the Storekeeper had signed for taking over of the goods, none of those had been physically examined and entered in the stocks books.

**3.11 Balances for Adjustment**  
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The information revealed at an analysis of the Bank Reconciliation Statements prepared for December 2014 by the Ministry is given below.

Particulars of Adjustment -----	Age Analysis -----		Total -----
	Over 6 months less than 1 year -----	Over 1 year less than 3 years -----	
	Rs.	Rs.	Rs.
(i) Cheques issued but not presented for payment	246,401	5,125	251,526
(ii) Unidentified Credits	150,359	-	150,359

**3.12 Losses and Damage**  
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The observations on the losses and damage revealed during the course of audit test checks are given below.

- (a) A sum of Rs.355,816 had been spent carrying out repairs to the damage caused to a motor vehicle by an accident . The evidence in support of the action taken on the loss had not been furnished to audit in terms of the Financial Regulations.
- (b) In obtaining reimbursement for the bills for repairs done to the damage caused by accidents to motor vehicles from the insurer, cheques had been issued direct in the names of the repairers instead of routing the transactions through the Ministry accounts.
- (c) Reimbursement of Salaries in respect of April, May and June 2014 amounting to Rs.141,312 paid by the Ministry to a Technical Officer of the Ministry attached to the Ministry of Public Administration and Home Affairs with effect from January 2014, had not been obtained even by 11 August 2015.

### 3.13 Human Resources Management

#### (a) Approved Cadre and Actual Cadre

The position of the cadre as at 31 December 2014 had been as follow.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i) Senior Level	24	17	07
(ii) Tertiary Level	07	05	02
(iii) Secondary Level	97	71	26
(iv) Primary Level	77	70	07
<b>Total</b>	<b>205</b>	<b>163</b>	<b>42</b>
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The following observations are made.

- (i) Even though the Cadre of the post of Research Officer of the Sports Medical Institute is 2, the number of Officers deployed in service is 3.
- (ii) Contrary to paragraph 2 of the Circular No.CA/1/17/1 dated 14 May 2010 of the Secretary to the President, the Ministry had spent a sum of Rs.1,204,480 for the Salaries of 4 Officers of the Media Division which was in addition to the staff of the Minister.
- (iii) A Scheme of Recruitment for the recruitment to 10 approved posts of the Sports Medical Institute had not been prepared.

**(b) Human Resources obtained from Other Parties**

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The matters revealed in relation to the Human Resources obtained by the Ministry from the Sugathadasa National Sports Complex Authority are given below.

<b>Category of Employees</b>	<b>Numbers</b>	<b>Period</b>
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Security Guard	01	From 2014-04-01 To 2015-01-13
Office Aide	01	From 2012-03-19 To 2015-01-13
Management Assistant	01	From 2012-11-06 To 2015-01-13
Driver	01	From 2013-11-13 To 2014-08-14

- (c) A Driver of the Agricultural and Agrarian Services Board had been attached to the Ministerial Staff of the Ministry of Sports from October 2010 to June 2015. The Ministry had spent sum of Rs.345,996 and Rs.130,702 during the year under review of the Salary and Allowances of the Driver respectively.

**4 Head 219 – Department of Sports Development****4.1 Non-maintenance of Registers and Books**

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It was observed during the course of test checks that the Department had not maintained certain registers shown below and that certain other registers had not been maintained in the proper and updated manner.

<b>Type of Register</b>	<b>Relevant Regulation</b>	<b>Observation</b>
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(a) Register of Fixed Assets	Treasury Circular No.842 of 19 December 1978	Not maintained
(b) Register of Computers, Accessories and Software	Treasury Circular No.IAI/2002/02 of 28 November 2002	Not maintained
(c) Register of Security of Officers and Employees who should furnish Security	Financial Regulation 891(1)	Not maintained
(d) Register of Electrical Equipment	Financial Regulation 454(2)	Not maintained

(e)	Register of Liabilities	Financial Regulation 214	Not maintained
(f)	Attendance Register of Procurement Committee	Guideline 2.11.2 of the Government Procurement Guidelines	Not maintained
(g)	Register of Meetings of the Procurement Committee	Guideline 2.11.3(a) of the Government Procurement Guidelines	Not maintained
(h)	Register of Loans and Advances	Public Enterprises Circular No.96 of 10 August 1994	Not updated

#### 4.2 Lack of Evidence for Audit

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Even though a sum of Rs.588,672 had been paid to a Society for the supply of accommodation to the Officers and the other Staff of the National Sports Festival XL the bills and the particulars of the officers concerned had not been furnished to audit.

#### 4.3 Appropriation Account

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##### Budgetary Variances

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The limits of imprests in respect of the payments of the Department for the year under review had been approved by the Department of Treasury Operations. The Department of Treasury Operations had not issued the imprests for the respective months according to the limits approved as expected to the Department and the estimates had not been prepared by clearly identifying the requirements. As such, 10 per cent to 100 per cent of the provisions made in the Annual Budget Estimates for 38 Objects could not be utilized.

#### 4.4 Imprest Accounts

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The following observations are made.

- (a) Even though the maximum ad hoc sub-imprest that can be issued to a Staff Officer in one instance according to the Financial Regulation 371 is Rs.20,000. But contrary to that, 15 ad hoc Sub-imprests exceeding Rs.20,000, totalling Rs.2,041,636 had been issued to three Officers in 15 instances.
- (b) Advances had been granted without proper estimates of expected expenditure and expenditure exceeding the advances amounting to Rs.274,417 incurred by the officers had been reimbursed by the Department.

- (c) Even though imprests and sub-imprests should be reconciled at the end of each month in terms of the Financial Regulation 372, the Department had not so done.
- (d) According to the Cash book, the balance of the imprest to be settled to the Treasury as at 31 December 2014 amounted to Rs.20,867. But that had been shown as Rs.108,672 in the Appropriation Account and the make-up of that had also not been shown.

#### **4.5 General Deposit Accounts**

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The following observations are made.

- (a) The balances of the Deposit Account of the Department as at 31 December 2014 totalled Rs.167,373,462 and actions in term of the Financial Regulation 571 had not been taken on the deposits older than 2 years amounting to Rs.62,695,278 included therein.
- (b) Even though a monthly abstract of deposits in Form General 71 must be sent to Audit before the end of the following month in term of the Financial Regulation 565(5), it had not been so done.
- (c) The balances of the General Deposit Accounts as at 31 December 2014 according to the Treasury printouts amounting to Rs.167,373,462 had been shown in the Appropriation Account, the balance according to the list of individual balances amounted to Rs.164,657,501. As such a difference of Rs.2,715,961 existed.

#### **4.6 Reconciliation Statement of the Advances to Public Officers Account**

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The following observations are made.

- (a) The test check of the Reconciliation Statement of the Advances to Public Officers Account Item No.21901 as at 31 December 2014 revealed had the balances outstanding as at that date from the Officers retired and vacated posts totalled Rs.360,663. Even though those outstanding balances related to periods ranging from 01 year to 02 years, the follow-up action on the recovery had been at a weak level.
- (b) Even though the loan balance amounting to Rs.128,152 of an Officer transferred from the Eastern Provincial Department of Sports to the Department of Sports Development had been settled on 29 August 2014, none of the recoveries had been made from the officer.
- (c) Even though loan installments of an Officer transferred to the Department had been recovered, instead of remitting the recoveries monthly, the total loan of Rs.90,460 had

been paid to the Provincial Council in one lump sum. The loan balance had not been entered in the Members Loan Register.

- (d) A difference of Rs.579,800 existed between the balances of the List of Individual Balances of the officers in service in the Department and the Employees Loan Register.

#### **4.7 Good Governance and Accountability**

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##### **4.7.1 Annual Action Plan**

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Even though the Department had prepared an Annual Action Plan in terms of the Public Finance Circular No.01/2014 of 17 February 2014, the particulars of the projects relating to the capital expenditure had not been included in the Action Plan.

##### **4.7.2 Annual Procurement Plan**

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The Annual Procurement Plan had not been prepared in detail in the accordance with the National Budget Circular No.128 of 24 March 2006.

##### **4.7.3 Internal Audit**

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Provision amounting to Rs.2,254.16 million had been made for the Department in the Annual Budget Estimates and a Staff of 324 had been attached to the Department. In addition the Department had assets valued at Rs.1,047.75 million as at the end of the year under review. But an Internal Audit Unit had not been established. Even though the Internal Audit Unit of the Ministry had carried out an internal audit that had not been adequate.

#### **4.8 Assets Management**

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The following deficiencies were observed during the course of an audit test check of the assets of the Department.

- (a) According to the Public Finance Circular No.02/2014 of 17 October 2014, the Board of Survey for the year 2014 should have been conducted and the reports thereon should have been furnished to the Auditor General before 17 March 2015. But those reports had not been furnished to Audit eve by 31 May 2015.

(b) Unsettled Liabilities

Even though the unsettled Liabilities of the Department as at 31 December 2014 amounted to Rs.491,685,055 that had not been shown in the Appropriation Account.

#### 4.9 Non-compliances

##### Non-compliance with the provisions in laws, rules and regulations

Non-compliance with the provisions in laws, rules and regulations observed during the course of audit test checks are given below.

Reference to Laws, Rules and Regulations	Value	Non-compliance
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Rs.		
<b>(a) Financial Regulation of the Democratic Socialist Republic of Sri Lanka</b>		
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(i) Financial Regulation 880	-	The Officers who should furnish security had not furnished securely.
(ii) Financial Regulation 1645(a)	-	Vehicle log books had not been updated.
(iii) Financial Regulation 1646	-	The Daily Running Charts and the Monthly Performance Summaries of the Pool Motor Vehicles of the Department had not been furnished to the Auditor General.
(iii) Financial Regulation 1647 (b)	-	Action had not been taken to conduct a survey of the Motor Vehicles and the tools thereof.
<b>(b) Public Administration Circulars</b>		
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Paragraph 2.2.11 of the Circular No.41/90 of 10 October 1990	-	Fuel consumption of 21 Motor Vehicles of the Department had not been tested once in every 06 months.
<b>(c) Public Finance Circulars</b>		
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(i) Circular No.431 of 24 April 2008.	9,643,850	Even though the air travel tickets for foreign travel should always be purchased from the approved Companies contrary to that requirement that had been done through private companies.

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|------|--|---|---|
| (ii) | Public Finance Circular No.353(5) of 03 January 2013 and the letter No.PCMD/PR/2013 dated 05 January 2013 of the Secretary to the President. | - | Action had not been taken for the disposal of 3 Motor Vehicles which had not been used over long periods. |
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#### 4.10 Implementation of Projects from Local Financing

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The following observations are made.

- (a) Even though the Budget Proposal covering all Districts had been prepared for the preparation of estimates for the improvement of the rural sports grounds, the entire provision of Rs.19.7 million approved for the improvement of rural sports grounds had been spent only for 3 districts. None of the proposals of the other 22 Districts had been implemented.
- (b) Out of the Provision of Rs.1,220 million made in respect of the year 2014 for the improvement of rural sports grounds, the improvement of District Training Centers, the School Development Projects and the Construction of Provincial and District Sports Complexes, 70 per cent of that had been allocated to the Kandy District and that had an adverse impact on the upliftment of Sports nationally.
- (c) Even though the sum of Rs.51,127,833 given by the Department of Sports Development to the District Secretaries of 11 Districts for the execution of 45 works had been shown as the expenditure of the Department of Sports Development, those works had not been subject to supervision by the Department. None of the files relating to the works had been furnished to Audit. In addition, the District Secretaries concerned had not confirmed that the works had been executed.
- (d) Even though provision amounting to Rs.32,000,000 had been made under the Object 219-02-02-12-2104 of the Annual Budget Estimates for the year 2014 for the Development Projects of 4 Schools, a sum of Rs.17,018,303 had been spent during the year under review for which provision had not been made under the Annual Budget Estimates.
- (e) Fifty seven works costing Rs.3,208,282,018 commenced by the Department of Sports Development remained as continuation works over periods ranging from one year to 03 years.
- (f) The public investments contained in the Mid Term Expenditure Frame Work for the year 2014-2016 had been considered in terms of paragraph 02 of the National Budget Circular No.1/2014 of 01 January 2014 and the capital expenditure provision requirements for the year 2014 only had been provided for the year 2014. Even though



emphasis had been made that any expenditure extraneous to the provision for the year 2014 should not be incurred, contrary to such instructions a sum of Rs.49,876,212 out of the provision made under the Object 219-02-02-17-2104 (Construction of Provincial Sports Complexes) had been spent for the construction of the new building of the Ministry and for the purchase of a generator. In addition, the generator purchased for Rs.9,963,876 had not been recorded in the Register of Fixed Assets.

#### **4.11 Transaction of Contentious Nature**

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The Department had paid a sum of Rs.234,666 as the air travel cost of a sportsman of the Sri Lanka Weight Lifters Association who had participated in the Commonwealth Games held in the year 2014, based on an air travel tickets of July 2010.

#### **4.12 Irregular Transactions**

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Certain transactions entered into by the Department had been devoid of regularity. Several such instances observed are given below.

- (a) The following observations are made in connection with Procurements made by the Department.
  - (i) Even though a sum of Rs.2,589,494 had been paid to 17 institutions for the supply of accommodation to the staff of the National Sports Festival XL and 3,500 travel bags and 3,500 T-shirts had been purchased for Rs.4,970,380 for distribution among the Sportsmen and sportswomen and the officers who participated in the Sports Festival. The suppliers had not been selected by inviting for quotations in terms of the Guideline 3 of Government Procurement Guidelines 2006.
  - (ii) Contrary to the provision in the Establishments Code and the duties extraneous to provisions in the Salary Circular 6/2006 and without the special approval of the Treasury, the expenditure on accommodation and food and beverages of the officers attached to the National Sports Festival had been incurred uneconomically.
  - (iii) Even though the approval for the purchase of 15 volley balls had been granted at the request made by a Sports Club on 12 February 2014, twenty volley balls costing Rs.140,250 had been purchased from private company without inviting quotations.
  - (iv) Sports goods costing Rs.13,812,500 had been purchased on the recommendations of the Deputy Director (Sports) and a Volley Ball Coach,

without appointing the Procurement Committee and the Technical Evaluation Committee and preparing a Procurement Plan in term of the Guidelines 2.7.5, 2.8.1 and 4.2 respectively of the Government Procurement Guidelines 2006.

**(b) Payments not Approved**  
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Payments amounting to Rs.7,873,104 on the National Sports Festival XL had been made on 24 Vouchers which had not been approved for payment. The payments had been made on the basis of the endorsement "approved" made by the Director General prior to the payment.

**4.13 Deficiencies in the Operation of Bank Accounts**  
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**Inordinate Delays in the Preparation Bank Reconciliation Statements**  
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The Bank Reconciliation Statement of one Bank Account from August 2014 to July 2015 had not been prepared even by 31 July 2015.

**4.14 Losses and Damage**  
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The membership of the World Karatedo Federation for the year 2013 and 2014 had not been obtained by the Sri Lanka Karetedo Association on the due dates while in Sri Lanka Rifle Association had not obtained the International Practical Shooting Confederation for the years 2013 and 2014 on the due dates and the resulting surcharges of Rs.111,336 and Rs.27,401 respectively had been paid by the Department.

**4.15 Managerial Weaknesses**  
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Even though the Department had paid Rs.79,988,392 to various Sports Association during the year under review the Department had not taken any follow-up action to ensure that the expenditure had been incurred in compliance with the laws, rules and regulations of the government and the effectiveness of the utilization of the funds.

**4.16 Human Resources Management**  
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**Approved Cadre and Actual Cadre**  
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The position of the Cadre as at 31 December 2014 had been as follows and the Department had not taken action to fills 95 vacancies by the end of the year under review.

	<b>Category of Employees</b>	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>Number of Vacancies</b>	<b>Excess</b>
	-----	-----	-----	-----	-----
(i)	Senior Level	15	05	10	-
(ii)	Tertiary Level	03	01	02	-
(iii)	Secondary Level	254	185	69	-
(iv)	Primary Level	52	49	-	38
(v)	Others	-	03	-	03
		----	----	----	----
	<b>Total</b>	<b>324</b>	<b>243</b>	<b>95</b>	<b>41</b>
		====	====	====	==

## 5. Sports Associations

### 5.1 Sri Lanka Foot Ball Federation

#### 5.11 Financial Statements for the for the year ended 31 December 2012

The following observations are made in connection with the Financial Statement of the Sri Lanka Foot Ball Federation for the year 2012.

- (a) A sum of Euro 40,400 equivalent to Rs.6,287,670 given as a donation by the Italian Foot Ball Federation for the redevelopment of the Kalutara Sports Ground had been fraudulently obtained by the former President of the Committee of Management of the Federation.
- (b) A sum of US \$ 60,000 equivalent to Rs.6,415,290 given by the Asian Foot Ball Federation for the conduct of the First- Qualifying Round of the Foot Ball Federation President's Trophy Tournament had been fraudulently obtained by the former President of the Committee of Management of the Federation.
- (c) A sum of Rs.5,000,000 out of Rs.10,000,000 given to the Sri Lanka Foot Ball Federation by a Private Limited Liability Company for the construction of 20 houses in the Kalutara area destroyed by the Tsunami disaster had been fraudulently obtained by the former President of the Committee of Management of the Federation.
- (d) Out of the US \$ 200,000 given to the Sri Lanka Foot Ball Federation by the Asian Foot Ball Federation, a sum of US \$ 40,000 had been fraudulently obtained by the former President of the Committee of Management of the Federation. In addition, out of the sum of US \$ 30,000 equivalent to Rs.3,217,500, withdrawn from the Bank Account of the Federation by the former Chief Executive Officer of the Federation on 06 June 2008, a sum of US \$ 12,533 equivalent to Rs.1,337,035 had not been handed over to the Federation even by 19 January 2015.

- (e) Despite the availability of adequate funds in the Bank Account of the Federation, the Chief Executive Officer of the Federation had obtained a loan of Rs.6,000,000 from the former President of the Committee of Management of the Federation without the approval of the Executive Committee. A sum of US \$ 60,000 had been transferred on a fictitious Bank Order from the Bank Account of the Federation to the private account of the former President of the Committee of Management of the Federation for the settlement of the loan.
- (f) The donation of 5,717 Foot Balls made to the Sri Lanka Foot Ball Federation by the Foot Ball Federation of Thailand had not been valued and brought to account.
- (g) The unsettled balance of advances according to the Ledger Account amounted to Rs.1,523,312 and that according to the schedule amounted to Rs.3,349,250. Action had not been taken to ascertain the reason for the difference and rectify the difference.
- (h) Twenty five transactions totalling Rs.224,141,484 as at 31 December 2012 could not be satisfactorily vouched, due to the non-submission of the payment vouchers, stock books, Goods Received Notes and Goods Issue Notes, Bills, receipts, journal vouchers and Supporting documents, approval of the Executive Committee, confirmation of balances, fixed deposit certificates, payment particulars and contract agreements to Audit.
- (i) The value of Lease assets had not been shown in the Lease agreement. As such, the evidence in support of the accuracy of the book value of Lease assets amounting to Rs.161,243,752 shown in the balance sheet as at 31 December 2012 and the lease assets valued at Rs.7,208,008 written off during the year under review had not been furnished to Audit.
- (j) The Federation had not maintained a Register of Fixed Assets. The documents for the confirmation of the title, existence and the value of the fixed assets shown in the balance sheet had not been produced to Audit over a number of years. Annual Board of Survey had not been conducted and report had not been furnished to the Audit. In view of these reasons, it was not possible to satisfactorily verify in Audit the fixed assets valued at Rs.98,080,678 shown in the Financial Statements for the year under review.
- (k) Instances of non-compliance with laws, rules, regulations etc. observed during the course of audit are given below.

<b>Reference to Laws, Rules and Regulations</b>	<b>Non-compliance</b>
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<p>(i) <b>Financial Regulation of the Democratic Socialist Republic of Sri Lanka</b></p> <p>-----</p> <ul style="list-style-type: none"> <li>• Financial Regulation 446(3)</li> </ul>	<p>Petty Cash Book had been updated.</p>

- Financial Regulation 751                      The stock book had not been updated.
- Financial Regulation 756                      Report of the Annual Board of Survey had not been furnished to the Audit.

**(ii) Public Finance Circulars**

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Circular No.431 of 24 April 2008

Instead of purchasing the air travel tickets from the approved companies, the Federation had purchased air travel tickets valued at Rs.3,830,300 from Private Companies

**(iii) Public Administration Circulars**

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Circular No.22/99 of 08 October 1999

An officer of the Federation had , on the retirement, taken a motor vehicle belonging to the Federation.

- (l) The Federation had not taken action even by the end of the year 2014 for the establishment of an efficient human resources management in the Federation due to the reason such as the failure to obtain the approval for the cadre, the failure to prepare the Scheme Recruitment and Promotion and obtain the approval thereof and the non-updating of the personal files.
- (m) The Federation had maintained an average monthly cash balance of the Rs.9,084,332 in four Bank Current Accounts without being invested effectively.
- (n) The management of the Federation had not established a suitable stock control system even by the end of the year 2014 and a stock book had not been maintained for the Sports items and goods donated by various organisation. The Federation had not introduced a suitable control system for purchases. In most instances purchase of goods and services and submitted bill for payment.
- (o) Employees loans amounting to Rs.485,000 had been written off as bad debts during the year under review due to the weak internal control relating to employees loans.
- (p) Even though the Federation in not having an approved Employees Welfare Scheme, a sum of Rs.1,591,439 had been paid for the settlement of the hospital bills of an employee.
- (q) The Federation had leased out the contract of the Head Office to a private party in the year 2003 for a period of one year at a monthly rent of Rs.40,000 without inviting competitive quotations and the approval of the Executive Committee. Even after the expiry of the lease period, that contractor had been allowed to run the restaurant up to

the year 2012 without a written agreement and the revision of the monthly rent. The Contractor had been delaying the payment of the monthly rent for 2 to 3 months.

- (r) The Federation had awarded the contract for the supply of food and beverages to the team players and others, without inviting competitive quotations and the approval of the Executive Committee to a private party without entering into a written agreement. A sum of Rs.7,008,390 had been paid to the Contractor for the supply of food and beverages during the year.
- (s) A suitable procedure had not been approved for the grant of advances by the Federation to the Officers. In such circumstances, advances amounting to the Rs.3,825,920 had been granted from January to June 2012 to six officers who had not settled their previous advances.
- (t) Advances amounting to the Rs.1,523,312 granted to officers in eight instances had not been settled even by 08 May 2013. In addition, advances totalling Rs.2,315,000 had been settled after delays ranging from 11 days to 47 days.
- (u) The Federation had not prepared a Corporate Plan even by the end of the year 2014. An Action Plan had not been prepared by identifying the objectives and goals to be arrived during the year under review and indicating the responsibilities of the Managers.
- (v) The Foot Ball Federation of Sri Lanka had not established an Internal Audit Unit in terms of the Public Enterprises Circular No.PED/12 of 02 June 2003, even by the end of the year under review.
- (w) The Federation had not prepared a Procurement Plan for the year 2012 in term of the Guideline 4.2 of the Government Procurement Guidelines. The Federation had spent Rs.1,713,150 and Rs.1,689,783 during the year under review for the purchase of sports goods and the procurement of transport respectively.

### **5.1.2 The Financial Statement for the year ended 31 December 2013**

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The following observations are made in connection of the Financial Statement of the Foot Ball Federation for the year 2013.

- (a) Nine transactions totalling Rs.66,512,630 as at 31 December 2013 could not be satisfactorily vouched in audit due to the non-submission of the payment vouchers, Goods Received Notes and Goods Issue Notes, bills, receipts, journal vouchers and supporting documents, the approval of the Executive Committee, Confirmation of balances and the fixed deposit Certificates to Audit.
- (b) The value of lease assets had not been shown in the lease agreement as such the accuracy of the book value of the lease assets amounting to Rs.156,110,770 shown in

the balance sheet as at 31 December 2013 and the lease assets valued at Rs.5,132,982 written off during the year under review could not be established in audit.

- (c) The Federation had not maintained a Register of Fixed Assets. The reports of the Boards of Survey as the confirmation of title, existence and the value of the fixed assets shown in the balance sheet had not been produced to Audit over a number of years. In the circumstances, it was not possible in audit to establish the book value of the fixed assets amounting to Rs.95,824,740 shown in the financial statements for the year under review.

**(d) Non-compliance with Laws, Rules, Regulations and Management Decisions**

Instances of non-compliance with laws, rules, regulations etc. observed during the course of audit test checks are given below.

<b>Reference to Laws, Rules, Regulations etc.</b>	<b>Non-compliance</b>
<b>(i) Financial Regulations of the Democratic Socialist Republic of Sri Lanka</b>	
• Financial Regulation 446(3)	Petty Cash Book had not been updated.
• Financial Regulation 751	The Stock Book had not been updated.
• Financial Regulation 756	Reports of the Board of Survey had not been furnished to Audit.
<b>(ii) Public Finance Circular No.431 of 24 April 2008</b>	The Federation had purchased air travel tickets amounting to Rs.14,709,704 from private companies, instead of from the approved companies.

- (e) Expenditure totalling Rs.12,741,120 had been incurred on the salaries and allowances for the year under review in respect of 39 employees of the Federation. Other allowances had also been paid without the prior approval. Salary increments amounting to Rs.810,000 had been granted without approval to 27 employees who did not have letters of appointment.
- (f) A sum of Rs.8,548,080 had been spent on the allowances of 37 officers recruited on contract basis without proper approval and contract agreements.

- (g) The Federation had leased out the Beddegana Physical Fitness Centre to a private party without a written agreement for a monthly rental of Rs.65,000 without inviting competitive quotation and the approval of Executive Committee.
- (h) The Federation had awarded the contract for the supply of food and beverages to the team players and others without inviting competitive quotations and the approval of the Executive Committee and without a written agreement to a private party. In addition, a sum of Rs.6,498,615 had been paid in the year under review to the contractor for the supply of food and beverages.
- (i) The Federation had awarded the audit of the financial statements for the year under review to a private Auditor without the concurrence of the Auditor General. Audit fee of Rs.300,000 had been paid in that connection.
- (j) Even though every payment should have the authorisation, approval and certification, certain payments of the years 2013 and 2014 had been made without authorisation, approval and certification.
- (k) An Action Plan depicting the objectives and goals to be achieved during the year under review giving the responsibilities of the managers had not been prepared.
- (l) Even though a budget aimed at creating an effective financial management should be prepared before the commencement of every financial year, the Federation had not prepared a budget for the year under review.
- (m) The Federation had not prepared an Annual Procurement Plan for the year 2013 in term of the Guideline 4.2 of the Government Procurement Guidelines.
- (n) The Federation had received a donation of Rs.8,364,500 from the German Embassy for the construction of the Technology Training Centre at Jaffna. An advance of Rs.8,100,000 out of that had been paid in the year under review to a contractor without the approval of the Executive Committee. The approved Plan, the estimate and the contract agreement had not been produced to Audit.
- (o) The Contract for the construction of a sports ground at Gampaha had been awarded to a contractor and without the approval of the Executive Committee. The Federation had paid a sum of Rs.9,500,000 in that connection by the end of the year under review. The approved Plan, the estimate and the contract agreement relating to the construction work had not been produced to Audit.

### **5.1.3 Financial Statements for the year ended 31 December 2014**

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 The following observations are made in connection with the financial statements of the Sri Lanka Foot Ball Federation for the year 2014.



- (a) The Spots items and other goods valued at Rs.1,958,080 received in four instances during the year under review had not been brought to account.
- (b) A difference of Rs.69,331,951 existed between the balances of 90 accounts shown in the financial statements for the year under review and the balances of the Ledger Accounts and the difference had not been reconciled.
- (c) The detailed schedules, supporting documents and the confirmation of balances relating to the other balances receivable amounting to Rs.1,795,500 and the balance receivable from the Ministry of Sports amounting to Rs.5,245,000 had not been produced to Audit.
- (d) Nine transactions totalling Rs.144,225,557 as at 31 December 2014 could not be satisfactorily vouched in audit due to the non-submission of the payment vouchers, Goods Received Notes and Goods Issue Notes, approvals of the Executive Committee , confirmation of balances and the fixed deposit certificates to Audit.
- (e) The value of lease assets had not been shown in the lease agreements. As such, the accuracy of the book value of lease assets amounting to Rs.151,284,553 shown in the balance sheet as at 31 December 2014 and the lease assets valued at Rs.5,132,982 written off during the year under review could not be established in audit.
- (f) The Federation had not maintained a Register of Fixed Assets. The documents for the confirmation of the title, existence and the value of the fixed assets shown in the balance sheet and the reports of the Board of Survey for a number of years had not been produced to Audit. In the circumstances, it was not possible in audit to establish the book value of the Fixed Assets amounting to Rs.109,097,678 shown in the Financial Statements for the year under review.
- (g) The particulars of the deferred income amounting to Rs.162,868,675 shown in the Financial Statements and the deferred income amounting to Rs.8,291,439 written off during the year had not been produced to Audit.
- (h) Instances of non-compliance with laws, rules, regulations etc. observed during the course of the test audit of the transactions of the Federation are given below.

**Reference to Laws, Rules and Regulations**

**Non-compliance**

**(i) Financial Regulations of the Democratic Socialist Republic of Sri Lanka**

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>• Financial Regulation 751</li> <li>• Financial Regulation 756</li> </ul> | <p>The Stock Book had not been updated.</p> <p>The Report of the Annual Board of</p> |
|--|--|

Survey had not been furnished to Audit.

- (ii) **Public Finance Circular No.431 of 24 April 2008.** The Federation had purchased air travel tickets totalling Rs.7,846,101 from private companies during the year under review instead of purchasing from the approval companies.

- (i) The Federation had leased out the seconded and third floors of the Head Office at monthly relates of Rs.100,000 and Rs.150,000 respectively to a private party without inviting competitive quotations and a written agreement.
- (j) The Federation had awarded the contract for the supply of food and beverages to the team players and others without inviting competitive quotations and without the approval of the Executive Committee and without a written agreement to a private party. A sum of Rs.13,887,701 had been paid in the year under review to the contractor for the supply of food and beverages.
- (k) Even though the Federation could have obtained in services of the Attorney General, a sum of Rs.6,456,237 had been spent during the year under review as private legal fees.
- (l) Even though the Federation had donated foot balls valued at Rs.4,708,984 on the requests made by various institutions, the approved schedules and the particulars of distribution had not been furnished to Audit.
- (m) An Action Plan depicting the objectives and goals to be achieved during he year under review giving the responsibilities of the Managers had not been prepared.
- (n) Even though a budget aimed at creating an effective financial management should be prepared before the commencement of every financial year, the Federation had not prepared a budget for the year under review.
- (o) The Federation had not prepared an Annual Procurement Plan for the year 2014 in terms of the Guideline 4.2 of the Government Procurement Guidelines.
- (p) The Federation had paid Rs.480,000 on the private requests made by journalists on 20 occasions without obtaining any service.

## 5.2 Federation of Volley Ball Association of Sri Lanka

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### 5.2.1 Financial Statements for the year ended 31 December 2012.

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The following observations are made in connection with the Financial statements of the Federation of Volley Ball Federation of Sri Lanka.

- (a) The Federation had not maintained a Register of Fixed Assets since the inception for the fixed assets valued at Rs.1,264,957 as at 31 December 2012.
- (b) The Federation had paid Custom Duty amounting to Rs.3,080,298 for the clearance of Sports equipment given by foreign countries as donations. But the Federation had failed to value and account for the equipment.
- (c) Eight transactions totalling Rs.5,150,337 as at 31 December 2012 could not be satisfactorily vouched due to the non-submission of report of the Boards of Survey, approval of the Executive Committee, estimates and the particulars of goods received and distributed to Audit.
- (d) Instances of non-compliance with laws, rules and regulations revealed during the course of audit test checks of the transactions of the Federation are given below.

<b>Reference to Laws, Rules and Regulations</b>	<b>Non-compliance</b>
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- |  |  |
|--|--|
| (i) Paragraph 2 of the Public Finance Circular No.431 of 24 April 2008 | Even though the purchase of air travel tickets should always be made from the approved companies contrary to that, the Federation had purchased air travel tickets valued at Rs.4,856,359 from private companies |
|--|--|

<b>(ii) Government Procurement Guidelines</b>	
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- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• Guideline 3.4</li> </ul> | The Federation had purchased sports equipment and other items valued at Rs.2,721,332 during the year under review without inviting competitive quotations.                |
| <ul style="list-style-type: none"> <li>• Guideline 3.4</li> </ul> | The Federation had selected an outside party for the construction of the stalls for the Negombo Coast Volley Ball Tournament without inviting competitive quotations. The |

estimated cost for the construction of the stalls and administration amounted to Rs.2,160,500 and the advance paid up to 31 December 2012 amounted to Rs.500,000.

## 5.2.2 Financial Statements for the year ended 31 December 2013

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The following observations are made in connection with the financial statement of the Federation of Volley ball Federation of Sri Lanka for the year ended 31 December 2013.

- (a) Action had not been taken for the settlement of the accrued balances older than 02 years as at 31 December 2013 amounting to Rs.2,573,500.
- (b) The balance of Rs.2,344,757 recoverable from the Federation of Volley Ball Federation of Sri Lanka according to the financial statements of the Sugathadasa Sports Complex Authority and balance of Rs.1,048,707 payable to the Federation of Handball Association of Sri Lanka according to the accounting records of the Department of Sports Development had not been disclosed in financial statements of the Volley Ball Federation of Sri Lanka.
- (c) Fourteen transactions totalling Rs.30,776,078 as at 31 December 2013 could not be satisfactorily vouched in audit due to the non-submission of the related journal vouchers and supporting documents, bills, particulars of distribution of goods and the stock records relating to the receipts and issue of goods to Audit.
- (d) Instances of non-compliance with laws, rules and regulations revealed during the course of audit test checks of the transactions of the Federation are given below.

<b>Reference to Laws, Rules and Regulations</b>	<b>Non-compliance</b>
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<p><b>(i) Financial Regulations of the Democratic Socialist Republic of Sri Lanka</b></p> <p>-----</p>	
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- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>• Financial Regulation 385</li> </ul> | <p>Instead of making payment by cheque the Federation of the Volley ball Association of Sri Lanka had paid a sum of Rs.300,000 in Cash to a private institution for the purchase of 123 Brass Awards.</p> |
|--|---|

- Financial Regulation 395(c) Even though the Bank Reconciliation Statements of each month should be prepared and certified before the fifteenth day of the following month, the Federation had not prepared in Bank Reconciliation Statements for the year 2013.
  - Financial Regulation 756 The Report of the Board of Survey had not been furnished to Audit.
- (ii) Guideline 3.4 of the Government Procurement Guidelines A sum of the Rs.1,183,612 had been spent contrary to the relevant Guidelines in the Government Procurement Guidelines in 4 instances in connection with the Procurement of services for clearing of goods, purchase of Cups and the purchased of handball and computers.
- (e) A sum of Rs.4,828,625 had been spent for the President Gold Cup Tournament. A private institution had been selected as the main sponsor in the connection. The approval of the Executive Committee and the agreement entered into with the institution had not been produced to Audit.
- (f) The Federation of Volley Ball Associations of Sri Lanka did not have an approved Cadre and a Scheme of Recruitment had not been prepared and approved. The personal files of the employees had not been updated.
- (g) The Federation had not prepared an Action Plan in term of Section 5.2.5 of the Public Enterprises Circular No.PED/12 of 02 June 2003.
- (h) A budget for the year under review had not been prepared in terms of Section 5.25 of the Public Enterprises Circular No.PED/12 of 02 June 2003.
- (i) The Federation had not prepared an Annual Procurement Plan for the year 2013 in terms of the Guideline 4.2.1 of the Government Procurement Guidelines.

### **5.3 Financial Statements of the Sri Lanka Cricket for the year ended 31 December 2014**

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#### **5.3.1 Sri Lanka Accounting Standards for Medium Scale Enterprises.**

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According to paragraph 17.19 of the Sri Lanka Accounting Standards for the Medium Scale Enterprises, the usefulness of the fully depreciated assets should be re-evaluated and the depreciation should be accounted for accordingly. Nevertheless the Sri Lanka Cricket had failed to take such action in connection with the fully depreciated assets costing Rs.552,660,460 which

are being made use of. The Register of Fixed Assets for the Fixed Assets for the fixed assets valued at Rs.5,554,250,826 as at 31 December 2014 had not been updated.

### 5.3.2 Accounts Receivable and Payable

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The following observations are made.

- (a) According to the financial statements of the Sri Lanka Cricket, a sum of Rs.2,187,280,006 and Rs.567,601,808 remained payable as at 31 December 2014 to the Sri Lanka Ports Authority and the Sri Lanka State Engineering Corporation respectively. Nevertheless, according to the financial statements of the Sri Lanka Ports Authority a sum of Rs.71,934,708 remained as payable to the Sri Lanka Cricket. According to the financial statements of the Sri Lanka State Engineering Corporation, a sum of Rs.1,133,826,034 remained as recoverable from in Sri Lanka Cricket.
- (b) Sponsorship income older than five years amounting to Rs.7,455,135 remained without being recovered.
- (c) Construction advances totalling Rs.19,345,013 and other advances totalling Rs.13,714,688 remained without being settled despite the elapse of more than one year.
- (d) Tournament advances amounting to Rs.15,427,071 had not been settled despite the elapse of a period exceeding one year.
- (e) Five transactions totalling Rs.8,011,802 as at 31 December 2014 could not be satisfactorily vouched due to the non-submission of Goods Received Notes and Goods Issue Notes and the Confirmation of balances to Audit.

### 5.3.3 Non-compliance with Laws, Rules, Regulations and Management Decisions

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Instances of non-compliance with laws, rules, regulations, etc. observed during the course of audit are given below.

<b>Reference to Laws, Rules, Regulations etc.</b>	<b>Non-compliance</b>
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(a) Paragraph 2 of the Public Finance Circular No.431 of 24 April 2008	Contrary to the provisions in the Circular. Sri Lanka Cricket had purchased air travel tickets valued at Rs.25,252,115 from private companies.

- (b) Government Procurement Guidelines Sri Lanka Cricket had procured assets valued at Rs.4,860,003 and legal services amounting to Rs.7,862,153 contrary to the Government Procurement Guidelines.

#### 5.3.4 Transactions without Authority

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The following observations are made.

- (a) Based on the approval of the Executive Committee, the Sri Lanka Cricket had appointed an officer to a post not included in the approved Cadre without inviting application for the co-ordination of activities between the Sri Lanka Cricket and the line Ministry. The Sri Lanka Cricket and the Ministry of Sports had spent Rs.900,000 and Rs.301,663 annually respectively as the Salaries and allowances of the Officer. The Officer concerned had not signed in the Attendance Register of the Sri Lanka Cricket.
- (b) The Executive Committee of the Sri Lanka Cricket had allowed an Officer to the Leave office daily for a half day from 01 April 2013 to 31 March 2016 without the approval of the Secretary to the line Ministry or the Secretary to the Ministry of Public Administration and Sri Lanka Cricket had spent a sum of Rs.605,200 during the year under review on the salary of the officer concerned.
- (c) Regardless of the weak financial position of the Sri Lanka Cricket, Salary increments ranging from Rs.5,000 to Rs.86,250 had been granted in the year under review to employees recruited on contract basis without an approved procedure. A Salary increment of Rs.215,400 had been granted to Spin Bowling Coach in the year 2013.
- (d) Sri Lanka Cricket had issued for free 46,742 tickets of 13 one day matches and 04 test matches of the year under review valued at Rs.45,094,300 without the approval of the Executive Committee. About 85 per cent of the recipient of free tickets had not acknowledged the receivable of those tickets.

#### 5.3.5 Profitability and Liquidity

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Sri Lanka Cricket had incurred large operating losses during several past years and a net operating loss of Rs.392.7 Million had been incurred during the year under review. The establishment did not have adequate liquid assets for the settlement of the liabilities amounting to Rs.4,303.5 Million that remained as at the end of the year under review. That had an adverse impact on the operating activities of the institution.

### 5.3.6 Management Inefficiencies

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The following observations are made.

- (a) Regardless of the adverse financial position of the Sri Lanka Cricket a sum of Rs.26.7 Million had been spent in the year 2013 as Salary increments while a sum of Rs.57.6 Million had been spent on the purchase of 11 motor vehicles as an urgent requirement, despite the unavailability of budgetary provision. The particulars of allocation of motor vehicles had not been recorded either in the Register of Fixed Assets or the Register of Motor Vehicles.
- (b) According to clause 7.2 of the agreement signed by the Sri Lanka Cricket with a company for the sponsorship of the National Team, the third instalment of Rs.6,507,500 (US \$50,000) for the Sponsorship should have been paid on or before 01 September 2014 and that amount had not been recovered from the Company concerned even by the end of the year under review.
- (c) Sri Lanka Cricket had failed to sign a written agreement with the Cricket Board of the united Arab Emirates in connection with the programme implemented in Dubai on 14 January 2014 for the collection of funds needed for the improvement of infrastructure facilities of School Cricket. The sum of Rs.1,372,085 (US \$ 10,494) recoverable from the parties concerned had not been recovered even by 31 January 2015.
- (d) Sri Lanka Cricket had incurred a loss of Rs.68,395,349 from the two cricket matches obtained outside the Cricket matches decided to be conducted during the year 2014. Even though an estimated loss of Rs.51,155,618 from the two matches had been computed in advance the matches had been obtained.
- (e) Even though the Sri Lanka Cricket had printed 295,517 tickets at a cost of Rs.517,991 for the International Matches played in Sri Lanka during the year under review, 149,833 or 50 per cent of the tickets could not be sold due to the subsequent changes in the venues for the matches.

### 5.3.7 Transaction of Contentious Nature

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The following transactions executed by the institution were contentious.

- (a) Sri Lanka Cricket had granted interest free loans to 73 employees (inclusive of contract employees and members of the Executive Committee) without an approval Loan Scheme and without obtaining security. Furthermore, budgetary provision had not been made for loans. An outstanding loan balance (inclusive of the balance brought forward from the preceding year) amounting to Rs.14,811,018 remained as at the end of the



year 2014. The institution had not introduced a suitable control procedure for the recovery of loans.

- (b) Sri Lanka Cricket had filed a case against an insurance company claiming compensation of Rs.1.3 billion for not honouring an insurance cover on cancellation and abandoning of Cricket matches in the year 2006. The expenditure incurred on the case up to the end of the year 2014 amounted to Rs.11,369,716.
- (c) Sri Lanka Cricket had unilaterally breached the service agreement of the Chief Security Officer of the 2012 T 20 World Cup Secretariat and dismissed him from service, The Chief Security Officer had filed case against in Sri Lanka Cricket claiming compensation of Rs.50,000,000. Even though the Sri Lanka Cricket had spent legal express of Rs.303,350 on the case, the case had not been decided even by the end of the year under review.
- (d) Even though the Sri Lanka Cricket had a Legal Staff and a sum of Rs.600,000 had been paid to a member of the Legal Advisory Board for obtaining legal service and a sum of Rs.389,000 had been paid in the year under review to Sri Lanka Employers Federation. The expenditure incurred during the year under review on the salaries of the Legal Staff amounted to Rs.3,111,960.
- (e) Sri Lanka Cricket had spent Legal expenses amounting to Rs.18,281,073 up to the end of the year 2014 on the cases filed by external parties against Sri Lanka Cricket agent in election of office bearers held in the year 2013. Subsequently, the cases had been withdrawn on the agreement among the parties to bear the costs themselves. The reason for the withdrawal of the cases had not been produced to audit.
- (f) Sri Lanka Cricket had not invited quotation from the experienced and well known printer registered with in Sri Lanka Cricket in inviting Quotations for the printing of tickets and other materials and due to that reason, an overpayment of Rs.762,144 had be made to the selected printer.
- (g) A sum of Rs.11,409,170 receivable from a private company for the Sri Lanka premier League (SLPL) -2012 had been written off as bad debts on the approval of the Executive Committee.
- (h) The sum of Rs.5,022,704 receivable out of the loan of Rs.15 million granted to a Sports Club by the Sri Lanka Cricket in the year 2008 and the interest amounting to Rs.2,861,149 receivable had been written off as bad debts on the approval of the Executive Committee.

### 5.38 Human Resources Management

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The following observations are made.

- (a) Sri Lanka Cricket had spent a sum of Rs.392,011,529 as the salaries and allowances of the employees during the year under review without obtaining the Approval for a Scheme of Recruitment and the Cadre for recruitment.
- (b) The employees gratuity commitment for the year 2012 and as at 31 December 2014 amounted to Rs.37,298,715 at Rs.42,911,160 respectively. The increase of the employees gratuity commitment of the year under review by 15.5 per cent as compared with the preceding year had been mainly due to the grant of salary increments amounting to Rs.26,728,116 to 216 employees without an approved Scheme of Recruitment and Promotion.
- (c) Even though the Contract agreements of certain contract employees had expired the Sri Lanka Cricket had allowed them to remain in services without approved.

### 5.3.9 Internal Audit

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Instead of establishing an Internal Audit Unit, the Sri Lanka Cricket had assigned the internal audit function to an institution engaged in to several Audit practices, with effect from 12 July 2012.