

Sri Lanka Anti-Doping Agency - 2018

1.1 Qualified Opinion

The audit of financial statements of the Sri Lanka Anti-Doping Agency for the year ended 31 December 2018, comprising the statement of financial position as at 31 December 2018 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended and notes to the financial statements including a summary of significant accounting policies was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No.19 of 2018 and Finance Act No.38 of 1971. My comments and observations which I consider should be presented to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report the financial statements give a true and fair view of the financial position of the Agency as at 31 December 2018 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.5 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility under those auditing standards are further described in the Scope of Audit section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

In preparing the financial statements management is responsible for assessing the Agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Agency or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Agency's financial reporting process.

As per Section 16(1) of the National Audit Act No.19 of 2018, the Agency is required to maintain proper books and records of all its income, expenditure, assets and liabilities to enable annual and periodic financial statements to be prepared of the Agency.

1.4 Scope of Audit

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but it is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional Judgement and maintain professional scepticism throughout the audit; I also;

- * Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- * Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control.
- * Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- * Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Agency's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Agency to cease to continue as a going concern.
- * Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of audit also had extended to examine as far as possible and as far as necessary the following

- * Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Agency and whether such systems, procedures, books, records and other documents are in effective operation;

- * Whether the Agency has complied with applicable written law, or other general or special directions issued by the governing body of the Agency;
- * Whether the Agency has performed according to its powers, functions and duties,
- * Whether the resources of the Agency had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Non-compliance with reference to the relevant standard	Comments of the Management	Recommendation
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(i) The accounting policies adopted in valuation of stocks amounting to Rs.1,110,839 as at the end of the year under review and the cost formula used had not been disclosed in the financial statements in terms of Section 47(a) of the Sri Lanka Public Sector Accounting Standard 09.	The valuation of stocks had been carried out on weighted average cost method. Action will be taken to include above method in to the accounting policies.	In preparing financial statements Sri Lanka Public Sector Accounting Standards should be followed.
(ii) A sum of Rs.349,924 shown as grants in the statement of financial position for over 3 years period, had been taken into revenue in the year under review. Nevertheless, these particulars had not been disclosed in terms of Section 132 of the Sri Lanka Public Sector Accounting Standard 01.	The balance money of the amount received for training programmes had been retained in the accounting statements under the heading of funds since the year 2015 and action had been taken to write off it in the year 2018. As that, had not been recorded in the accounting policies, action will be taken to include it.	In preparation and presentation of financial statements the Sri Lanka Public Sector Accounting Standards should be followed.

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| <p>(iii) The depreciation method used for assets should be disclosed in terms of Section 86(b) of the Sri Lanka Public Sector Accounting Standard 07. Even though, a sum of Rs.44,982 had been made for depreciation for the research equipment purchased during the year under review amounting to Rs.179,928, the basis for depreciation had not been disclosed in the financial statements.</p> | <p>The research equipment had been depreciated at the rate of 25 per cent from the year of purchase. Action will be taken to include that policy into the accounting policies.</p> | <p>In preparation and presentation of financial statements, the Sri Lanka Public Sector Accounting Standards should be followed.</p> |
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1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
<p>(i) Section 33 of the Convention Against Doping Materials in Sports Act No.33 of 2013.</p>	<p>Rules against the use of doping materials should be established and published in the Gazette under the approval of the Minister and should be authorized. Even though 5 years had elapsed after the establishment of the Agency, by the end of the year under review the rules to act against the use of doping materials which is the key function intended from the institution had not been prepared.</p>	<p>The Anti-Doping laws had been sent to the Department of Attorney General and the laws could be prepared and finalised after receiving the relevant comments. Those laws could be published in the Gazette and authorized before end of the year.</p>	<p>A system of rules should be prepared to act against using of Doping materials which is the main function intended from the institution and published in the Gazette and authorized.</p>

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| <p>(ii) Financial Regulation 133 of the Democratic Socialist Republic of Sri Lanka and paragraph 05 of the Treasury Circular No.IAI/2001/1 of the Secretary to the Treasury dated 25 January 2001.</p> | <p>Action had not been taken to establish an Internal Audit Unit to carry out internal audits or to carry out internal audits by the Internal Audit Section of the Ministry.</p> | <p>Even though, the requests were made to the Department of Management Services to recruit an Internal audit officer, the approval had not been given thereon. Further, a training relating to the internal audit also had been given to a Development Officer. The Ministry informed that, sufficient number of officers were not available in the Internal Audit Section of the Ministry.</p> | <p>An internal audit should be carried out by recruiting an internal auditor or through the internal audit unit of the Ministry.</p> |
| <p>(iii) Financial Regulation 772</p> | <p>Suitable action had not been taken to dispose of the unusable articles which were identified by the Board of Survey of the year under review.</p> | <p>The Board of Survey for the year 2018 had been conducted and the Register of disposable articles had been referred to the Ministry. We inform, that action will be taken to make annual disposals after being considered the disposal register by the Ministry.</p> | <p>Action should be implemented in terms of the Financial Regulation in respect of the unusable articles which identified by the Boards of Survey.</p> |

2. Financial Review

2.1 Financial Results

The operations of the Agency for the year under review had resulted in a surplus of Rs.429,424 as compared with the corresponding surplus of Rs.29,800 for the preceding year, thus indicating an improvement of Rs.399,624 in the financial results. The increase of treasury grant by Rs.24,971,170 and the increase of other income by Rs.2,108,632 had been the main reasons for this improvement.

2.2 Ratio Analysis

The current assets ratio of the Agency in the year under review had decreased from 1.39 to 0.24 as compared with the preceding year. Accordingly, the possibility of settlement of short term liabilities of the Agency had deteriorated as compared with the preceding year.

3. Operating Review

3.1 Management Activities

Audit Observation

(i) Testing of Human Anti-Doping

Two hundred seventy six and 134 tests relating to human Anti-Doping had been conducted by the Agency in the year under review and during the preceding year respectively. Accordingly, the tests were increased by 142 tests during the year under review as compared with the preceding year. Six instances of using Anti-Doping were confirmed in the year under review and 05 instances were confirmed in the preceding year. There were 62 national sports registered under Department of Sports Development and those tests had been conducted only for 17 and 09 national sports in the year under review and in the year 2017 respectively.

Comments of the Management

It was planned to conduct 276 Anti-Doping tests for the year 2018. Even though, there were 62 registered sports in the Department of Sports, Anti-Doping tests which selected by Risk Assessment conducted in the year 2017 and in the preceding year had only been conducted in the year 2018 and these tests had been carried out as per availability of the provisions.

As the tests of Anti-Doping could not be carried out for every sports, the Anti-Doping tests were carried out according to the Risk Assessment.

Recommendation

A sample should be selected to cover more tournaments so as to cover all sports and the special attention should be paid in respect of testing of Anti-Doping.

(ii) Testing of Animal Anti-Doping

The number of testing of animal Anti-Doping had been 09 and 07 during the year under review and the preceding year respectively, while it was not confirmed the using of Doping materials for animals in both years.

As about a sum of Rs.13 million had to be spent annually for the Doping tests, the tests had been carried out only for the essential sports. However we can inform that, we have planned to cover more sports in the year 2019 rather than previous year.

Special attention should be paid in respect of the tests of animal Anti-Doping by covering more tournaments.

(iii) Conducting Seminars and Workshops

Seventy two Seminars and awareness programmes had been conducted for school children, sports officers, physiotherapy trainers, sports trainers, players and parents and persons handling sports massage in the year under review with paid attention to the matters in respect of the duties and responsibilities of the players, adverse effects of using Doping materials, the process of control of using drugs, methodology to obtain required information, therapy methodology of prevention of using Doping, materials initial understanding on World Anti-Drug Programme and the number of persons participated thereon had been 2,268. The corresponding programmes conducted in the preceding year had been 51 and the number of persons participated thereon amounted to 3,581. Even though, the amount of conducting programmes during the year under review had been increased by 21 as compared with the preceding year, the number of participants thereon were decreased by 1,313.

The players who participated for Asian Games in the year 2018 had been mainly targeted for conducting of awareness workshops of Anti-Doping in the early period of the year 2018. The pool of the Asian games only had consisted with small number of players and as such the number of participants participated for the workshops in the year 2018 had been a lessor amount as compared with the preceding year.

The special attention of the management should be paid in respect of conducting more seminars and workshops relating to Anti-Doping by covering more players and a follow-up action should be carried out in respect of the players who are not participated for workshops.

3.2 Delays of Projects and Capital Works

The cost estimates amounting to Rs.230.83 million had been prepared for the construction of new building of the Agency and interior designs thereon and for purchasing of furniture and equipment and a sum of Rs.189.1 million had been incurred for this project in the year under review. Even though, the project commenced in the year 2016 should have been completed of the middle of the year under review it was completed at the end of the year under review.

Audit Observation

Comments of the Management

Recommendation

(i) The items which could have been identified in preparation of original estimate such as construction of ceiling of the building, supply and installation of electric generators and air conditioned systems, activities of electricity connections, partition works of rooms of the building and the activities of water supply had not been included to the original estimate and as such an additional estimate for 19 essential works of the building had been prepared and those works had been assigned to the same contractor. Accordingly, as the original contract had been awarded without inclusive of all items in bidding, it was observed that the opportunity to award the contract at a most favourable competitive price had been avoided.

At the time of the constructions carried out, it was identified 13 variations and 06 additional works. Accordingly, 06 items had been included as additional works and the cost of above had been Rs.48.8 million. As the considerable amount of construction works had been in nearing completion, action had been taken to assign the above activities to the same contractor to complete the constructions immediately in terms of Guideline 8.13.4 of the Procurement Guidelines.

Before commencing the projects an estimate should be prepared to cover all the constructions and inclusive of detailed cost analysis and the procurement activities should be implemented according to a formal plan in terms of the provisions of the Procurement Guidelines.

(ii) The delay of availability of electricity connection and the delay of sewage and waste water connection had been the reasons for non-completion of the project in time.

The Electricity Board had informed us, that 95 kv cables which were required to give electricity connection to our institution were not made available in the Board and the Procurement activities are being carried out relating to that. Therefore, the electricity had been obtained through a

Before, commencing the project an estimate should have been prepared consisting of detailed work and cost analysis and the procurement activities should be carried out according to a proper plan.

temporary electricity connection. The constructions relating to the sewage/ waste water which had to be connected to the main system should be carried out by the Colombo Urban Council and the activities relating to procurements are being carried out by the Urban Council. Therefore, a temporary disposal system of sewage/ waste water had been fixed.

3.3 Human Resource Management

Audit Observation

Action had not been taken by the Agency to fill the vacancies of a post of Director, 2 posts of Assistant Directors and 1 post of Driver which remained vacant from the year 2015 even up to the year under review.

Comments of the Management

The revised recruitment procedure with the qualifications had been submitted to Department of Management Services for approval. That Department had analysed the recruitment procedure and it was in final stage at present. The relevant recruitments will be made immediately after receiving the approval.

Recommendation

Prompt action should be taken to recruit the approved cadre.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation

A comparison of the budgeted amounts with the actual amounts observed variances ranging from 10 per cent to 97 per cent in respect of 17 items, thus indicating that the budget had not been made use of as an effective instrument of management control.

Comments of the Management

Even though, the budgeted provisions approved during the year 2018 had been requested from the Treasury as according to the monthly requirement, the Department of Treasury Operations had not granted sufficient provisions. Therefore, the development activities as planned could not be carried out. Action will be taken to avoid such weaknesses in the year 2019.

Recommendation

The budget estimates should be prepared accurately and used as an instrument of controls and the variances should be taken into consideration periodically.