

National Sports Fund – 2018

1.1 Opinion

The audit of financial statements of the National Sports Fund for the year ended 31 December 2018, comprising the balance sheet as at 31 December 2018 and the income and expenditure account, 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, the financial statements give a true and fair view of the financial position of the National Sports Fund 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 Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Fund'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 Fund or to cease operations, or has no realistic alternative but to so.

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

As per Section 16(1) of the National Audit Act No.19 of 2018, the Fund 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 Fund.

1.4 Auditors Responsibility for the Audit of the Financial Statements

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 Fund'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 Fund'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 Fund 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 Fund and whether such systems, procedures, books, records and other documents are in effective operation;

- * Whether the Fund has complied with applicable written law, or other general or special directions issued by the governing body of the Fund;
- * Whether the Fund has performed according to its powers, functions and duties,
- * Whether the resources of the Fund 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 Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
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Section 25(2) of the National Sports Act No.25 of 1973	Even though a Report on the Administration of the Fund should have been prepared by the Secretary of the Ministry immediately as far as possible after elapsed of each financial year, such a report had not been prepared for the year under review.	The Report of the administration for the year 2016 had been prepared. Since the approval of the Cabinet of Ministers had been received to table the report in Parliament it was forwarded for procurement activities for printing. Further, action had been taken to present the Cabinet Memorandum to the Minister to obtain the approval for tabling the Annual Report in Parliament for the year 2017.	Action should be taken in terms of the provisions of the National Sports Act.
Financial Regulation 396 (d)	Without taking action in terms of relevant Regulation in respect of 108 cheques issued but not presented for payment for over 6 months valued at Rs.4,121,664 108 cheques and 06 cheques had been included in miscellaneous deposit account and bank reconciliation statement respectively.	Action was taken to transfer the amount which retained in the deposit account to the revenue through transfer sheets.	Action should be taken in terms of Financial Regulation 396 (d)

2. Financial Review

2.1 Financial Results

The operations of the Fund during the year under review had resulted in a deficit of Rs.26,110,110 as compared with the corresponding deficit of Rs.5,824,605 for the preceding year, thus indicating a deterioration of Rs.20,285,505 in the financial results.

The decrease of interest on investments, decrease of receipts from National Lotteries Board, decrease of Government grants and decrease of revenue in the Diyagama Mahinda Rajapaksha Sports Complex by sums of Rs.1,142,533, Rs.2,901,879, Rs.8,000,000 and Rs.2,168,910 respectively and increase of expenditure for international tournament, increase of miscellaneous expenditure and increase of expenditure of the Diyagama Mahinda Rajapaksha Sports Complex by sums of Rs.3,766,320, Rs.2,399,898 and Rs.3,898,011 respectively had been the main reasons for the deterioration of the financial results.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation

As a clearance letter for exemption of Withholding tax had not been obtained for the interest received for the investments made by the National Sports Fund, in terms of Section 84 of the Inland Revenue Act No.24 of 2017 Withholding tax amounting to Rs.432,645 had been paid in 4 instances during the year under review.

Comments of the Management

A request had been made to the Department of Inland Revenue to obtain a clearance letter for the exemption of the Withholding tax in terms of Section 84 of the Inland Revenue Act No.24 of 2017

Recommendation

Action should be taken to obtain a letter for exemption of Withholding tax in terms of Section 84 of the Inland Revenue Act No.24 of 2017.

3.2 Transactions of contentious Nature

Audit Observation

A sum of Rs.1,185,000 had been paid as trainers allowances for 4 staff officers employed in the Department of Sports Development during the year 2017 and the year under review. Nevertheless, in paying sports trainers allowances for those 4 officers, an evaluation of their performances had not been made. Further, a sum of Rs.1,600,000 had been paid from the Fund for 2 officers out of above 4 officers as the trainers of the Weight Lifting Tournament of Commonwealth Games for winning of the tournament.

Comments of the Management

The payments had been made for these officers on the approval of the Secretary. Action will be taken to pay attention on Section 1.4.1 of the Establishments Code in the future.

Recommendation

Attention should pay in terms of the provisions of the Establishments Code in making these type of payments to public officers.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation

The Fund should have been administered by the Secretary to the Ministry in terms of Section 25(1) of the Sports Act No.25 of 1973. Nevertheless, an Action Plan for that purpose had not been prepared in respect of the year under review.

Comments of the Management

Action will be taken to prepare an Action Plan.

Recommendation

An Annual Action Plan should be prepared for the purpose of to carry out the administration activities of the Fund properly.

4.2 Internal Audit

Audit Observation

The revenue of the fund for the year under review amounted to Rs.61.9 million and the expenditure amounted to Rs.88 million. The total of the assets belonging to the Fund as at the end of the year under review had been Rs.139 million. Even though an internal audit should have been carried out in terms of Financial Regulation 133 an internal audit unit had not been established for the Fund. An internal audit had not been carried out even by the Internal Audit Unit established in the Ministry.

Comments of the Management

Action will be taken to inform the Chief Internal Auditor of the Ministry of Sports and to carry out the internal audit for this year.

Recommendation

An internal Audit should be carried out in terms of Financial Regulation 133.

4.3 Budgetary Control

Audit Observation

A reconciliation of the budget expenditure with the actual expenditure observed variances ranging from 19 per cent to 346 per cent in respect of 13 items of expenditure, thus indicating that the budget had not been made use of as an effective instrument of management control.

Comments of the Management

The budget had been prepared based on the expenditure made in the preceding year and the expenditure expected for the subsequent year and the action was taken to follow the reasonable forecasts in every possible instance.

Recommendation

The budget estimates should be prepared accurately and to be used as the effective instrument of controls and the variances should be taken in to consideration periodically.