

## **Head 136 – Ministry of Sports**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Ministry of Sports for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance and cash flow statement for the year then ended 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 to be read in conjunction with provisions of the National Audit Act No.19 of 2018. The summary report including my comments and observations on the financial statements of the Ministry of Sports was issued to the Chief Accounting Officer on 29 May 2019 in terms of Section 11(1) of the National Audit Act No.19 of 2018. The Annual Detailed Management Audit Report relating to the Ministry was issued to the Chief Accounting Officer on 27 May 2019 in terms of Section 11(2) of the National Audit Act. This report will be tabled in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act No.19 of 2018.

In my opinion, except for the effects of the matters described in the paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Ministry of Sports as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

#### **1.2 Basis for Qualified Opinion**

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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 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 qualified opinion.

#### **1.3 Responsibility of the Chief Accounting Officer and the Accounting Officer on the Financial Statements**

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The Chief Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and the provisions in Section 38 of the National Audit Act No.19 of 2018 and for the determination of the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

In terms of Sub-section 38(1)(c) of the National Audit Act, the Chief Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Ministry

and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

#### **1.4 Auditor's Responsibilities for the Audit of the Financial Statements**

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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 summary report that includes my opinion. Reasonable assurance is a high level of assurance but 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 procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- 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.

I communicate with the Chief Accounting Officer regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

## 1.5 Report on Other Legal Requirements

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I express the following matters in accordance with Section 6(d) of National Audit Act No.19 of 2018.

- (a) Since there was no need for the preparation of financial statements of the Ministry of Sports for the preceding year, it could not be stated that the financial statements presented was consistent with the preceding year.
- (b) Since there was no requirement for the Ministry to prepare financial statements for the preceding year, recommendations on the financial statements of the preceding year had not been made.

## 1.6 Comments on Financial Statements

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### 1.6.1 Reconciliation Statement of Advances to Public Officers Account

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The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
According to the books of the Ministry the total of the loan balances of the officers and the balance of Control Account of Advances as at the end of the year under review amounted to Rs.24,659,853 but according to the Treasury books it was Rs.24,835,351 thus observed a difference of Rs.175,498.	Action to be taken to identify the difference and to rectify.	There is a difference of Rs.175,498 between the balances as per books of the Ministry and as per the books of Treasury. As such a letter had been referred to the Director General of Budget on 02 January 2019 requesting the provision to rectify the amount of Rs.175,498 overstating by the Treasury.

### 1.6.2 Statement of Financial Position

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The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
The value of the properly, plant and equipment shown as at 01 January 2018 in the statement of financial position presented for the year under review amounted Rs.238,532,264 but it was shown as Rs.649,893,382 in	Action to be taken to identify the reason for the difference and to rectify it.	The assets purchased in the year 2017 only had been accounted in the Treasury as the opening balances of the year 2018. This difference was arised due to the assets included in the opening balances during the year 2018. This type of differences will not

the statement of non-financial assets, thus observed a difference of Rs.411,360,118.

be arised in the future years.

### 1.6.3 Non-compliance with Laws, Rules and Regulations

An instance of non-compliance with the laws, rules and regulations observed during the course of audit test checks is analysed below.

<b>Observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
<p><b>Reference to Laws, Rules and Regulations</b></p> <p>Section 41 of the Sports Act No.25 of 1973.</p>	<p><b>Non-compliance</b></p> <p>Action had not been taken by the Ministry to prepare a proper financial procedure and the Administrative Regulations for the financial operation of the National Olympic Committee of Sri Lanka and to impose the directives for its operation.</p>	<p>The directives should be imposed to prepare and implement a proper financial procedure and the Administrative Regulations for financial operation of the National Olympic Committee of Sri Lanka.</p> <p>Action will be taken in future as per the recommendations given.</p>

## 2. Financial Review

### 2.1 Imprest Management

The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
Even though, it was planned to obtain imprests amounting to Rs.2,490.7 million for the year under review and the imprests of Rs.2,795.9 million had been requested, the imprests of Rs.674.4 million only had been received from the Treasury. Therefore, the activities such as Development of Cricket in 1,000 schools, incurring expenditure for motor vehicles and maintenance, medical supplies to sports Medical Institution and the capital transfers could not be executed.	The imprests should be obtained as planned and should be completed the respective activities.	Even though the imprests had been planned and requested, the imprests requested from the Treasury were not made available.

### 2.2 Expenditure Management

The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
(a) Excess provisions had been made for Capital Objects and as such the savings out the provisions had been 66 per cent after utilization of above provisions.	Action should be taken in terms of Financial Regulation 50	The budget had been prepared based on the expenditure incurred in the preceding year and the expected expenditure for the subsequent year. Action will be taken to follow the reasonable forecasts in every possible instance and to prepare the budget.
(b) Entire net provisions of Rs.46,219,000 made for 07	Action should be taken in terms of Financial	The budget had been prepared based on the expenditure incurred

Objects had been saved.

Regulation 50.

in the preceding year and the expected expenditure for the subsequent year. Action will be taken to follow the reasonable forecasts in every possible instance and to prepare the budget.

(c) Excess provisions had been made for 66 Objects and as such the savings after the utilization of provisions ranged between 10 per cent to 97 per cent of the net provisions relating to the respective objects.

Action should be taken in terms of Financial Regulation 50.

The budget had been prepared based on the expenditure incurred in the preceding year and the expected expenditure for the subsequent year. Action will be taken to follow the reasonable forecasts in every possible instance and to prepare the budget.

### 2.3 Deposit Balances

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The following observation is made.

#### Audit Observation

#### Recommendation

#### Comments of the Chief Accounting Officer

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Sixteen deposits totalled Rs.8.37 million relating to the General Deposits Accounts of the Ministry had been retained for over a period of 02 years in the General Deposit Account without being taken action either to settle or to credit the Government revenue.

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Action to be taken in terms of Financial Regulation 571.

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Action will be taken to pay if no reason to retain further or action will be taken to credit the Government revenue within 06 months.

### 3. Operating Review

#### 3.1 Performance

The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
International Tournaments won by Sri Lankans		
Sri Lankan players had participated for 08 international tournaments in the year 2017 and won 79 medals comprising 29 gold medals, 39 silver medals and 11 bronze medals. The players had participated for 10 tournaments in the year under review and won 61 medals comprising 23 gold medals, 16 silver medals and 22 bronze medals only.	Special attention should be paid in respect of training of players for winning of international tournaments according to a proper plan.	Comments not furnished.

#### 3.2 Delays in execution of projects

The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
(a) The provisions of Rs.429.39 million had been made by the Ministry for the 04 projects such as construction of Swimming Pool in Welwetithurai, 400 meters artificial running track of Diyagama Mahinda Rajapaksha National Sports Complex and constructing of a lavatory system and the access road thereon and constructing of a shooting and archery centre of the	Action to be taken to identify the requirements as possible to execute the projects during the due periods and to prepare the plans properly to execute within the time frame.	Suitable actions has been followed to avoid the delays.

Maliyadewa Vidyalaya and a sum of Rs.222.48 million had been incurred for above projects in the year under review. Even though, these projects should have been completed by May 2019 that had not been constructed during those periods.

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| (b) The project of construction of Nuwaraeliya Sports Residence had been commenced under the estimated provisions amounting to Rs.108.87 million in the year 2016, and it should have been completed in September 2017. Even though, a sum of Rs,30.26 million had been incurred by the end of the year under review for the above project, the constructions thereon had not been completed. | Action to be taken to identify the requirements as possible to execute the projects during due periods and to prepare the plans properly to execute within the time frame. | Suitable action has been taken to avoid the delays. |
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### 3.3 Procurements

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The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
----- The quotations had been called from 07 institutions to maintain the generator and the air conditioned system of the Ministry for the year 2017. One bidder out of them only had submitted the quotations, while the contract had been awarded to the same contractor again for Rs.2.52 million without calling bids. The contract for the maintenance even for the year under review had been awarded to the same contractor for a sum of Rs.2.77 million without calling quotations again.	----- Action to be taken in terms of Guideline 1.2.1 of the Government Procurement Guidelines.	----- The Secretary had informed that if the service is satisfactory and economically effective, the extension is approved. Procurements had not been carried out in respect of this for the year 2018. A disadvantage had not arisen economically in this regard.

### 3.4 Assets Management

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The following observations are made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
----- (a) Idle and Under-utilized Assets ----- A motor vehicle belonging to the Ministry had remained idle and underutilized for over a period of 03 years.	----- Action should be taken in respect of idle and underutilized assets in terms of Public Finance Circulars No.353 dated 30 September 1997, No.438 dated 13 November 2009 and No.353(5) dated 03 January 2003 and the Finance Regulation 771.	----- The Disposal Committee had decided to remove this vehicle from running. It was informed to the Secretary to the Ministry of Education to be utilized of that vehicle for the usage of school children.
----- (b) Assets given to External Parties ----- A motor vehicle and a Toyota Jeep belonging to the Ministry	----- In transferring the assets to other institutions which	----- The motor vehicle was given to the duties only up to the date of

had been released to the Sugathadasa National Sports Complex Authority and to the Department of Sports Development respectively.

had been received to execute the objectives and the goals of the Ministry action should be taken as not to arise a hindrance for the execution of the objective of the Ministry and to be transferred properly.

28 September 2019 on the request of the Chairman of Sugathadasa National Sports Complex Authority. It was informed to Director General of Department of Sports Development to take action to return the Jeep to the Ministry on 18 December 2018.

(c) Conduct of Annual Boards of Survey

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Action on the excesses and shortages pointed out and the other recommendations made in the Reports of the Boards of Survey for the year 2018 had not been taken in terms of the Financial Regulations.

Action to be taken in terms of the provisions of the Public Finance Circular No.05/2016 dated 31 March 2016 and the Financial Regulations 752(4) and 770.

According to the matters pointed out by the Reports of the Boards of Survey relating to the year 2018 action in terms of Financial Regulation 752(4) will be taken on excesses and shortages.

(d) Recording of Assets

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The Generator valued at Rs.12,129,876 belonging to the Ministry had not been included in the Register of Assets.

In terms of Financial Regulation 751, all assets should be recorded.

The fixed assets to include the CIGAS System as opening balances had been commenced in the year 2018. Action will be taken to include these assets in this year as opening balances to the Register of Assets.

**3.5 Management Weaknesses**

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The following observation is made.

**Audit Observation**

**Recommendation**

**Comments of the Chief Accounting Officer**

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The total of the arrears of receivable balances as at 31 December 2018 amounted to Rs.250,764. Even though, those arrears of loan balances had remained brought forward for over a period ranging from 02 years to 05 years the Department had failed to recover those balance.

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The provisions of the section 4 of the Chapter XXIV of the Establishments Code should be followed in respect of the loan balances of the officers retired, deceased and vacated of post and released to a public corporation.

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Action has been taken to recover a sum of Rs.116,015 from one officer after the compulsory retirement and action is being taken to recover a sum of Rs.134,751 from another officer under legal action through the Attorney General.

**4. Execution of Sustainable Development Goals**  
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The

following observation is made.

<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Chief Accounting Officer</b> -----
Even though, the Ministry of Sports had aware in respect of 2030 “Agenda” of United Nations on Sustainable Development, the internal Circulars or Guidelines issued by the Ministry in respect of implementation of Sustainable Development Goals were not made available in the Ministry.	The Ministry should be prepared for implementation of Sustainable Development Goals through preparation of proper plans.	The Ministry had organized workshops in respect of implementation of Sustainable Development Goals and guidance also had been made. The staff of the Ministry had been deployed for the Sustainable Development Programme. The required plans will be carried out in future in respect of training of staff as this is ranging in a broad scope.

**5. Good Governance**  
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**5.1 Internal Control**  
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The following observation is made.

<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Chief Accounting Officer</b> -----
The function of examination of payment vouchers included in the Internal Audit Programmes had not been carried out.	In terms of Financial Regulation 134(2), the Internal Audit Programme should be prepared and the functions included therein should be executed.	Action will be taken to pay attention of the officers to manage a proper internal audit methodology.