

## **National Sports Fund - 2019**

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### **1.1 Qualified Opinion**

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The audit of the financial statements of the National Sports Fund for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 Section 25 (4) of the Sports Act No. 25 of 1973 and provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be report 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 accompanying financial statements give a true and fair view of the financial position of the National Sports Fund as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

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

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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 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 qualified opinion.

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

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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 misstatement, 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 do 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.

## 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 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 judgment and maintain professional skepticism 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 auditor's 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 the audit also 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 performed according to its powers, functions and duties; and
- Whether the resources 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 Internal Control over the Preparation of Financial Statements

The Fund is required to “devise and maintain” a system of internal accounting controls, sufficient to provide reasonable assurance that, transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards, and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

### 1.5.2 Documentary Evidence not made available for audit

Subject	Amount	Lack of Evidence	Comments of the Management	Recommendation
	Rs.			
Payment made to a private company in the year 2019 for printing 1000 books of “Kelipada Saraniya” which was released as a publication of the Ministry of Sports.	1,050,000	<p>i. The evidences confirm that the receiving of accurate number of books by the store had not been furnished.</p> <p>ii. Stock Registers had not been properly maintained.</p>	<p>A number of 1000 copies of this publication have been received and 155 copies had remained after the distribution at the Presidential Sports Awards Ceremony.</p> <p>Arrangements have been made to record in Stock Registers in this regard.</p>	In receiving books to stores, it should be included in the Stock Register and the written evidences required to ascertain the receipts should be submit to the audit.

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

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The following observations are made.

<b>Reference to Laws, Rules, Regulations</b>	<b>Non-compliance</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulations 571	Actions had not been taken to identify the Security deposits valued at Rs. 80,000 for more than 02 years period as lapsed deposits and to credit to Government Revenue.	The retention for the reservations of playgrounds at the Diyagama Mahinda Rajapaksa Stadium has been included as a security deposits and since that amount has to be repaid upon request, maintaining in the Deposits Account without taking into revenue.	Actions should be taken in terms of financial Regulations with regard to the security deposits.
Public Finance Circular No. 01/2014 dated 17 February 2014	An Annual Action Plan had not been prepared, including activities targeting the achieving of the objectives of the Fund for the year under review.	An Action Plan will be prepared for the National Sports Fund from the year 2019 .	An Annual Action Plan should be prepared in a timely manner to carry out the administrative activities of the Fund properly.

## 2. Financial Review

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### 2.1 Financial Result

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The financial result of the year under review was a deficit of Rs. 6,495,404 and the corresponding deficit of the preceding year was Rs. 26,110,110. Accordingly, a growth of Rs. 19,614,706 was observed in the financial results. Increase in financial income by Rs. 16,381,654 and decrease in financial expenses by Rs. 3,233,052 had mainly attributed to this growth.

### 3. Operating Review

#### 3.1 Management Inefficiencies

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
Even though a sum of Rs. 2,500,000 had been paid from the Fund for the renovation and improvements in the Uva Sports Club building and the playground, it was not cleared that the way of selection of the sports club and the way of identifying the needs of the sports club. In addition, reviewing and following up on the contribution to the sport from that and the performance had not been carried out and actions had not been taken by the Fund to implement a system in respect of such payments.	A sum of Rs. 2.5 million has been spent as a part of the contribution from the total cost to be incurred for the major improvements in the Uva Sports Club and since the total amount were not provided, there is no successful methodology to follow up in practically. It was noted that to implement a more formal follow-up methodology in future .	In providing funds for playgrounds development activities by the Sports Fund implementing a formal system in this regard and follow up should be carried out.

### 4. Accountability and Good Governance

#### 4.1 Internal Audit

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
The income of the Fund for the year under review was Rs. 78 million and the expenditure was Rs. 84 million and the total of the assets belonging to the Fund was Rs. 129 million at the end of the year under review. The transactions of this Fund were not subjected to internal audit.	Actions will be taken to direct the officers to manage the Internal Audit System properly.	It should execute an Internal Audit in accordance with Financial Regulation 133 .

## 4.2 Budgetary Control

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<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
----- Since the variations ranging from 12 per cent to 1200 per cent were observed in between the budgeted figures and the actual figures in 19 expenditure items, it was observed that the Budget had not been made use of as an effective management control tool.	----- Preparation of the Budget has been carried out based on the expenditure incurred in the preceding year and the expected expenditure for the coming year and even though the actions has been taken to prepare the Budget following reasonable forecasts whenever possible, it is difficult to forecast the payments make for unforeseen reasons, such as winning medals by athletes.	----- Budget estimates should be accurately prepared and used as control tools and the variations should be periodically considered.