

Head 194 –Ministry of Youth and Sports

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ministry of Youth and Sports for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 read in conjunction with provisions of the National Audit Act, No.19 of 2018. The summary report containing my comments and observations on the financial statements of the Ministry of Youth and Sports was issued to the Chief Accounting Officer on 22 November 2021 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the Ministry was issued to the Accounting Officer on 22 October 2021 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. 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 paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Ministry of Youth and Sports as at 31 December 2020 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities for the financial statements are further described in the Auditor's Responsibilities Section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of the Chief Accounting Officer and the Accounting Officer for the Financial Statements

The Chief Accounting Officer and the Accounting Officer are responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and 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 and the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department 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

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 and its materiality depends on the influence on economic decisions taken by users 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 skepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained 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 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.
- Evaluate the overall presentation, structure and content of the financial statements including 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

I express the following matters in terms of Section 6 (1) (d) of the National Audit Act, No. 19 of 2018.

- (a) The financial statements are consistent with the preceding year,
- (b) The following recommendations made by me on the financial statements of the preceding year had not been implemented.

Reference to the Paragraph	Audit observation	Recommendation
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1.6.1.2	According to the books of the Ministry as at the end of the year under review, total of loan balances to officers and the loan balance as per the advance control account was Rs. 96,404,732 and according to the treasury books it was Rs. 96,580,230. Hence a difference of Rs. 175,498 was observed between the books of the Ministry and the Treasury.	Actions should be taken to identify the difference take actions and to correct it.
1.6.1.3	Actions had not been taken as per the Financial Regulation 571 of the Financial Regulations of Democratic Socialist Republic of Sri Lanka in connection with the deposits of Rs. 10,849,275 more than 2 years and Rs. 6,365,092 more than 5 years.	Actions should be taken as per the Financial Regulation 571.

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

(a) Reconciliation Statement on Advances to Public Officers Account

The following observation is made.

Audit observation	Comments of the Chief Accounting Officer	Recommendation
The total balances of distress loan amounting to Rs. 109,900 relating to two officers who had transferred to two divisions under the Ministry viz to Small Enterprises Section from the National Center for Leadership Development on 09 June 2020 had been shown under the list of recoverable individual loan balances of the advance account relating to the officers who employed in the service and under the loan balances of transferred officers. As a result it was observed that the recoverable loan balance of the account had been overstated by the same amount.	Actions will be taken to correct connecting with the relevant Ministry.	Actions should be taken to take into accounts correctly.

(b) Rent and work Advance Account

The following observation is made.

Audit observation	Comments of the Chief Accounting Officer	Recommendation
According to the Public Account Circular No. 250/2016 (i) dated 03 August 2016 , although it had been informed that a separate account number should be obtained from the Department of Public Accounts for each advance under the rent and work advance account and rent and work advance reserves account, it was	Advances were not taken into accounts under separate account numbers. Actions will be taken to avoid these weaknesses.	Advances should be taken into accounts correctly as per the circular instructions.

observed that, mobilization advance of Rs. 16,633,062 which had been given for a project had not been taken into accounts and out of the said advance a sum of Rs. 15,503,089 which should be recovered as at 31 December 2020 had not been taken into account.

2. Financial Review

2.1 Expenditure Management

The following Observations are made

Audit observation	Comments of the Chief Accounting Officer	Recommendation
The total net capital provision made for the Ministry was Rs. 2,464,242,000 and out of that only a sum of Rs. 1,506,877,006 had been utilized as at the end of the year under review. Accordingly a sum of Rs. 957,364,994 represents 39 per cent of the net capital provision had been saved.	Capital projects could not be implemented properly due to the quarantine curfew and travel restrictions in the country.	Provisions should be made only for the activities which can be fulfilled within the year after deciding the specific periods of time for commencing the activities.

2.2 Incurring of Liabilities and Commitments

The following observations are made

Audit observation	Comments of the Chief Accounting Officer	Recommendation
(a) According to the paragraph 3.4 of 6 of the guidelines for preparation of financial statements under the paragraph 10.1 of the Public Finance Circular 02/2020, the statement of liabilities and commitments under the Note (iii) should be reconciled with the statement of commitments and liabilities issued by the Treasury	Actions were taken to be corrected.	Actions should be taken as per the instructions of circulars issued by the Department of Public Accounts relating to commitments and liabilities.

relating to each Expenditure Heads. However a sum of Rs. 732,021,009 overstated and Rs. 128,709,510 understated relating to 65 expenditure codes between the statement of commitments and liabilities under the Note No. iii and the statement of commitment and liabilities issued by the Treasury.

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| <p>(b) According to the paragraph 3.4 of 06 of the guidelines for preparation of financial statements under the paragraph 10.1 of the Public Finance Circular 02/2020, any commitment and liability which had not been reported in the statement of commitment and liabilities under Note No. (iii) should not be settled as a previous year expenditure. Nevertheless a sum of Rs. 368,912 which had not been reported as expenditure for the year 2020 had been paid in the year 2021.</p> | <p>It was difficult to estimate as at 31 December due to the delay of bills and December overtime.</p> | <p>Actions should be taken as per the instructions of circulars issued by the Department of Public Accounts relating to commitments and liabilities.</p> |
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2.3 Issuance and Settlement of Advances

 The following observations are made.

Audit observation	Comments of the Chief Accounting Officer	Recommendation
<p>(a) According to the advance “B” account as at 31 December 2020, the total of outstanding balances of 08 officers was Rs. 916,296 and out of that the total of balances less than a year was Rs. 495,704 and the total of balances between 1 to 2 years was Rs. 420,592.</p>	<p>Actions were taken to recover.</p>	<p>Actions should be taken to recover balances of recoveries, outstanding loan balances.</p>

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| (b) | Actions had not been taken to recover the balances of loans amounting to Rs. 336,480 which should be recovered from 2 officers since the year 2018 even up to the date of audit (01 April 2021) and as a result it was observed that interest of Rs. 44,751 was missed. | Actions were taken to recover. | Balances of loans of officers should be recovered accurately. |
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2.4 Deposit Balances

The following observation is made.

Audit observation	Comments of the Chief Accounting Officer	Recommendation
<p>Actions had not been taken in connection with 34 deposits 2 to 5 years old amounting to Rs. 16,183,793 as per the Financial regulation 571 of the Financial Regulation of the Democratic Socialist republic of Sri Lanka.</p>	<p>Actions will be taken in connection with overdue deposits to refund or to credit to the state revenue in future.</p>	<p>Actions should be taken as per the Financial Regulations 571 in connection with overdue deposits</p>

2.5 Operations of Bank accounts

The following observation is made

Audit observation	Comments of the Chief Accounting Officer	Recommendation
<p>Account No. 7040742</p> <p>Actions had not been taken to make adjustments in connection with 15 cheques exceeding 6 months valued at Rs.214, 718 which had been issued but not presented for payments as per the Financial Regulation 396 (d).</p>	<p>Actions will be taken as per the Financial regulations in future.</p>	<p>Actions should be taken as per the Financial regulations in connection with cheques which had not been presented for payments.</p>

3. Operational Review

3.1 Abandon of Projects without completing

The following observation is made

Audit observation	Comments of the Chief Accounting Officer	Recommendation
Construction of high altitude sports complex Nuwaraeliya	This project was identified as not a major project in the field of sports by the Ministry and the Ministry had observed the project to cancel. The Cabinet Memorandum No. MOYS/PLN/05/04 dated 08.02.2021 was presented in this regard. According to the Cabinet Decision No. අමප/21/0242/329/001 dated 22/02/2021 relating to the said Cabinet Memorandum, approval was obtained to grant the authority to the Secretary to the Treasury and to make provisions to the Director General of National Budget to cancel the contract agreement entered into with relevant institute for construction of the Altitude Sports Training Complex Nuwaraeliya and the consultation agreement entered into with the Moratuwa University and to cancel the agreed loan or applied into another development project after having discussion with the peoples Bank and to wave	Adequate actions should be taken to provide infrastructure facilities to carry out relevant training in order to uplift the athletes up to the international level and actions should be taken to implement projects without delay and to complete within due periods of time. and

off the service charges occurred as a result of cancelling the loan agreement and the contract agreement (including the Credit processing charges). Further the trade and consultancy agreement was cancelled too.

3.2 Asset management

The following observations are made

Audit observation	Comments of the Chief Accounting Officer	Recommendation
(a) Fifteen vehicles at the total value of Rs. 153,345,000 had been given by the Ministry to Public Institutions and it was observed that the said vehicles had not been transferred to the parties who had used them.	Actions are being taken to transfer 13 vehicles and 2 vehicles were transferred on temporary basis. Necessary actions will be taken to transfer the said vehicles.	Actions should be taken to transfer the relevant vehicles without delay and the assets management should be done properly.
(b) A motor vehicle value at Rs. 9,100,000 which had been received from the Department of sports Development is being used by the Ministry. It was observed that the said vehicle had not been transferred to the Ministry.	The takeover was delayed due to the fact that the registration certificate of the vehicle has not been released by the bank and submitted to the Ministry.	Action Should be taken to transfer the assets formally which had been obtained from external institutions.

3.3 Security of Public Officers

The following observation is made

Audit observation	Comments of the Chief Accounting Officer	Recommendation
According to the provisions of the Government Financial Regulations 880, officers who are responsible for or who under delegation are entrusted with the receipt or custody of public money, revenue, stamps or stores or the disbursement of public money or the issue of stamps or stores and those who certify vouchers or sign cheques on government account will be required to give security in accordance with the Public Officers (Security) Ordinance (Cap. 612) for the faithful discharge of their duties. However it was observed that actions had not been taken to give security in connection with 21 posts.	Actions will be taken to complete activities relating to securities.	Actions should be taken in connection with officers require securities as per the Financial regulations 880

4. Achievement of Sustainable Development Goals

The following observation is made.

Audit observation	Comments of the Chief Accounting Officer	Recommendation
Targets had been established for achieving Sustainable Development Goals in the Ministry and the Small Enterprises Development Division included in it. The progress of 2 Success Indicators of the Ministry of Sports were 59 per cent and 50 per cent respectively. The progress of 2 Success Indicators of the Small Enterprises Development Division were 57.9 per cent and 63.8 per cent respectively. However the sustainable Development Goals had not been identified by the National Center for	The progress was low due to obstructions to proceeds as planned due to COVID 19 pandemic and issues of contract consultation institutes and import restrictions.	Actions should be taken to fulfil the necessary targets to achieve the progress to fulfil the sustainable development targets.

Leadership Development and only 3 success indicators had been identified. The progress of the said indicators was in a range of 60 per cent to 70 per cent.

5. Human Resources Management

The following observation is made.

Audit observation

There were 207 total vacancies in the Ministry of Youth and Sports, Small Business Development Division belonged to it and the National center for Leadership Development including 10 vacancies in the senior level, 35 vacancies in the tertiary level, 77 vacancies in the secondary level and 85 vacancies in the primary level. Among those vacancies there were vacancies as one post in the posts of Chief Financial Officer, Engineer and Internal Auditor which are most important to the performance of the Ministry and 4 Director posts, 50 Management Assistant posts and 19 Driver posts.

Comments of the Chief Recommendation Accounting Officer

Requests were made from Actions should be institutions to fil the taken to recruit the vacancies staff considering the service requirements.