

## **Head 194 – Ministry of Youth and 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 Youth and Sports for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 31 May 2022 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 28 June 2022 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 2021, 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**

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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 responsibility for the financial statements is 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**

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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 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 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 scepticism 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 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 recommendations made by me on the financial statements of the preceding year had been implemented.

## 1.6 Comments on Financial Statements

### 1.6.1 Non-compliance of Financial Statements with Circular Provisions

The following observations are made.

Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
Paragraph 7.2 of Guideline No. 2021/03 states that the revenue collected by the reporting entity on behalf of other revenue accounting officers should be adjusted in the imprest reconciliation statement and the previous year comparative figures should be indicated accordingly. But, in the imprest reconciliation statement presented by the ministry, the revenue collected by the ministry for other income heads was stated as Rs. 53,926,281, but the comparative figures of the previous year were not indicated.	I kindly pointed out that the value was not recorded in ACA 7 format as there is no place reserved to mention the information for the year 2020.	Should be act in accordance with circulars when preparing the financial statements.

### 1.6.2 Property, Plant and Equipment

The following observations are made.

Audit Observation -----	Comments of the Chief Accounting Officer' -----	Recommendation -----
(a) It was observed that the value of 16 vehicles belonging to the ministry was not accounted. It was observed that the relevant valuation values of 3 lands	The last date given for such uploading of assets is 03.02.2022 as per 4.10 of Public Accounts Guidelines No. 2021/02. Therefore,	Accounts should be prepared accurately and immediately as per the circular

belonging to the National Center for Leadership Development attached to the ministry, the non-financial assets (land and buildings) of Diyagama Mahinda Rajapaksa National Sports Academy, National Sports Council and Small business development division were not assessed and accounted.

the necessary amendments could not be made on 31.02.2021. Rs. 300 have been accounted in the CIGAS programme as a nominal value until the valuation values related to 03 lands belonging to the National Center for Leadership Development are provided by the department. However, I would like to point out that it has not been possible to amend the information in the CIGAS programme due to that the correct values have not been received from the Valuation Department. After the valuation of the non-financial assets (land and buildings) of the institutions of Diyagama Mahinda Rajapaksa National Sports Academy, National Sports Council, Nuwara Eliya Sports Center and Small business development division, the non-financial assets of those institutions are to be accounted. instructions.

- (b) Sport hotel worth Rs. 50,000,000 belonging to the National Sugathadasa sports complex authority was indicated under No. 61111 (Hotel and restaurant) and accordingly, it was observed that the non-financial assets of the ministry were overstated by that amount.

Due to lack of proper review of assets in previous years and the change of institutions under the ministry, these assets were accounted while paying for the sports hotel belonging to the Suagathadasa authority which was under the previous ministry. Arrangements will be made to hand over this to the State ministry. Action should be taken to proper assets management and proper accounting.

### 1.6.3 Rental Work and Advance Account

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The following observation is made.

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer'</b>	<b>Recommendation</b>
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Due to the ownership of the government for advances is represented by the Republic Account according to the paragraphs 05 and 06 of the Public Accounts Circular No. 250/2016 (i) dated 03 August 2016, the balance of the rent and work advance account and the rent and work advance reserve account should be indicated in ACA 5 (a) format and 5(b) formats included in the financial statement, but it was observed that there was not mentioned receivable amount of Rs. 15,753,731 in the advance account as at 31 December 2021 out of the paid advance amount of Rs. 19,065,178 for the commencement of work for 02 projects.	The future action will be taken to get advices form the Department of public accounts whether it is possible to open rental work advance accounts in the year 2022 for the accounting of the remaining balances of other two projects in a rent and work advance account and reserve account in the year 2022.	Should be accounted as per the circular.

## 2. Financial Review

### 2.1 Expenditure Management

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
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(a) It was observed that the total provision of Rs. 1,073,050,078 in 18 expenditure subjects was unspent and fully saved.	These expenses are not incurred due to the non-availability of qualified employees for uniforms and the spread of Covid-19, most of the meetings are held through zoom technology and so, there is no need to incur refreshment expenses, non- requirements for local government and tax payments and officers who were not taken property loans, non-submission of requests for the payment of contributions to the	Action should be taken in accordance with circulars.

common wealth youth programme by the Ministry of foreign affairs, lack of new capital vehicle needs, un proper submission of bills and limitation of foreign travels.

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| (b) | The savings of Rs. 11,280,304 after utilization of the provisions ranged from 25 percent to 99 percent of the net allocation related to those expenditure subjects due to over provisioning for 09 recurrent expenditure subjects. | No expenditure as expected in each expenditure subject, no need for various expenditure due to non-continuance of offices due to the Covid epidemic, renovation of offices under capital provisions. | -Do- |
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**2.2 Incurring into Liabilities and obligations**

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
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(a) Although the statement of obligations and liabilities under note No. (iii) should be compared with the statement of obligations and liabilities issued by the treasury in respect of each expenditure head as per paragraph 3.4 of guidelines for preparation of financial statements No. 06 under paragraph 10.1 of the Public Finance Circular No. 02/2020, there was an excess of Rs. 180,920 in relation to 06 subjects and Rs. 854,967 under stated in relation to 49 subjects between the statement of obligations and liabilities under note No. iii and statement of obligations and liabilities issued by the treasury.	Although only the expenditure subjects for which there is provision are indicated as liabilities in the CIGAS programme, all the relevant liabilities are entered under note No. (iii) of the financial statement since the Public Accounts Department has given instructions as that the values should be included as liabilities in the CIGAS programme only in relation to the expenditure subjects which has provisions.	Action should be taken in accordance with financial regulations and circulars while entering into obligations.
(b) The payable liabilities of Rs. 2,180,969 as at 31 December 2021 in the Statement of obligations and liabilities (Note iii) presented with the	I kindly inform that those liabilities will be brought forward as a balance in the next year. Instructions were	Should be properly accounted.

financial; statement were under stated given to prevent such due to it was stated as the settlement of omissions in future. liabilities.

**2.3 Deposits**

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The following observation is made.

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
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<p>Although lists should be prepared at the end of the year in terms of Financial Regulations 571 and credited to the relevant account or to the government revenue as the case may be, but it was observed that 39 deposits amounting to Rs. 33,629,309 in the deposit account as at 31 December 2021 from 06 to 02 years had not been act as per the financial regulations even on 04 March 2022.</p>	<p>Arrangements will be made in future regarding deposits that have exceeded 02 years.</p>	<p>Should be act in accordance with financial regulations regarding the overdue deposits.</p>

**2.4 Operation of Bank Accounts**

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The following observation is made.

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
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<p>No action was taken in accordance with F.R. 396(d) regarding the 76 cheques worth Rs. 790,512 which were issued, but not presented for the payment for more than 06 months in relation to the bank account No. 7040742.</p>	<p>08 Cheques are cleared with issuing cheques and set off for 28 cheques. Although the relevant division has been informed by letters for the remaining cheques, action is being taken in accordance with F.R. 396 since those have not presented for the payment until now.</p>	<p>Should be act in accordance with financial regulations.</p>

### 3. Operational Review

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#### 3.1 Performance

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The following observations are made.

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
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<p>(a) <b>Establishment of a sports policy</b> The Ministry of Youth and Sports was established with the focus on the youth community through the extraordinary gazette No. 2187/27 dated 09 August 2020 according to the policy statement of “Vision of prosperity” to create an active generation to create a vibrant, young community with a proud balanced personality and a vibrant, healthy and disciplined society and in accordance with the Constitution of the Democratic Socialist Republic of Sri Lanka. Accordingly, this ministry should formulate policies related to the subject of youth and sports in accordance with the prescribed laws and ordinances, but a national sports policy had not been established for the improvement of sports in Sri Lanka until the audited date of 19 May 2022.</p>	<p>“National sports policy of Sri Lanka” is published by the extraordinary gazette notification No. 1758/23 dated 16 May 2012. It has been 10 years since this sports policy was presented and the Ministry of sports and youth affairs has needed to update accordingly. When preparing this policy, the ministry decided that the sports policy should be prepared with considering the existing Act No. 25 of 1973 and its amendments. Accordingly, measures have already been taken to amend the current Sports Act and sports orders issued under it, including sports regulations. Accordingly, a committee has been appointed at the ministry level to prepare the national sports policy. Accordingly, it is decided to get the ideas of experts and professionals in the field of sports and I will further mention that attention has been paid to the preparation of a national sports policy, parallel consideration with the Sports Act and sports regulations.</p>	<p>Action should be taken to promote sports in Sri Lanka by establishing a sports policy.</p>



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| <p>(b) Enough action was not taken to amend and update the Act to resolve the cases with problems in the practical implementation of the Sports Act No. 25 of 1973.</p>                               | <p>The draft prepared to publish the currently valid sports orders as a single gazette notification regarding the amendment of the Sports Act has been forwarded to the Legal Draftsman's Department on 16.03.2022. Also, based on those orders, the existing sports law has been forwarded to Mr. Siri Medawewa, a retired draftsman on 25.04.2022, along with all the relevant documents to amend it as suit for the present.</p> | <p>The Act should be amended and updated as to resolve the cases with problems in the practical implementation of the Sports Act.</p>   |
| <p>(c) It was observed that 5 projects, which were included in the action plan with a provision of Rs. 1,622 million and spent Rs. 37 million, had been abandoned without completion.</p>             | <p>Projects have been abandoned due to non-availability of provisions and the Covid pandemic.</p>   | <p>The requirements should be identified and plans should be formally prepared and completed within the prescribed time frame in order to be able to carry out the projects within the prescribed time frame.</p> |
| <p><b>(d) Delays in project execution</b><br/>It was observed that there are delays in the implementation of 11 projects that had provided Rs. 1,049 million provision and spent Rs. 143 million.</p> | <p>It was decided to abandon these projects considering the total cost of the project and cost of maintaining such centers and it has been decided to abandoned some projects due to problematic opening of letters of credit due to import restrictions, decision to suspend the contract due to non-completion of the task properly by the contractor, re-procurement activities and non-availability of provisions.</p>          | <p>The time frame for the construction should be planned correctly and the construction activities should be monitored and regulated to complete the correctly planned tasks.</p>                                 |

**(e) Construction of rural playgrounds**

An allocation of Rs. 500 million had been made for the construction of rural playgrounds under the expenditure subject No. 194-2-4-14-2506. Those projects were implemented by the State Ministry of Rural and School sports infrastructure promotion through the Divisional Secretariat. Although the projects have been allocated under the Ministry of Youth and sports, the details of each project had not specified in the action plan. Rs. 436,494,396 was spent and Rs. 63,235,961 was saved in the year under review. The details of the work progress of each project were not mentioned in the progress report of the Ministry of Youth and sports and it was observed that there was no follow-up on the progress of those projects.

The progress of the infrastructure development programme of rural sports schools has been included in the progress report on 30.09.2021. Arrangements have been made to include the progress of the programme in the 2021 annual performance report as the indicated audit observation.

Project construction activities should be managed and regulated.

**3.2 Assets Management**

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The following observation is made.

**Audit Observation**

**Comments of the Chief Accounting Officer**

**Recommendation**

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Although it had been stated that all assets should be documented as per Financial Regulations 751, the ministry owned 630 KVA sound proof generator bought at Rs. 12,129,876 in the year 2014 was not included in the assets register.

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The generator has been accounted at Rs. 1,285,000 under the item of electrical equipment on page 175 of the asset register received by CIGAS on 31.12.2021.

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Assets should be properly recorded as per regulations.

**4. Human Resources Management**

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The following observation is made.

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
----- There were 190 total vacancies as at 31 December in the Ministry of youth and sports and its small business development division and the National center for leadership including 15 senior level vacancies, 33 tertiary level vacancies, 91 secondary level vacancies and 51 primary level vacancies. There were shortages including 06 Director positions, 06 Assistant Directors and 40 Management Service Officers in those vacancies, which are very important to the performance of the ministry.	----- I kindly inform that the then Ministry of Public Services, Provincial Councils and Local Government and the Director General of Combined Services have been informed and requests have been made in this regard from time to time in order to fill the vacancies mentioned in the table below in this ministry and the small business development division established under this ministry and the Embilipitiya leadership development national center. I would also like to inform that requests have been made again to the Ministry of Public Administration, Home Affairs and Local Government and to the Director General of Combined Services to fill other vacancies.	----- Action should be taken to recruit the vacant staff with considering the requirements.