

## **Head 219 - Department of Sports Development**

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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 Department of Sports Development 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 Department of Sports Development was issued to the 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 Department was issued to the Accounting Officer on 30 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 Department of Sports Development 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 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 Department 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 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**

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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 Department'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**

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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

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### 1.6.1 Non-compliance with circular provisions of the financial statements

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Audit Observation	Comments of the Accounting Officer	Recommendation
<p>According to Section 3.2 of the Public Accounts Guideline No. 2021/03 dated 26 November 2021 of the Department of Public Accounts, it was state that it should be ensured that the figures shown in the financial statements of the reporting entity agree with the income, expenditure and main ledger balances shown in the final treasury account statements. But it was not reconciled according to the treasury records by the annual budget allocation value of Rs. 547,871,000 indicated by up to ACA2, ACA2(i), ACA2(iii), ACA2(iv), ACA2(v) and not 05,06,07,10,11,14,15 of the financial statements presented by the department. ACA2(iii) format stated that these variations have arisen due to the redirection of allocations to the Budget Department following a decision got at the cabinet meeting dated 30 August 2021. According to this cabinet decision, the secretaries of the ministries and secretaries of the state ministries were instructed to take steps to submit a detailed report on the expected provisions to be saved from the budget allocations allocated to the ministries and the departments and other institutions under them on or before 15 September 2021 to the Director General of National Budget. But, the Department of Sports Development had changed the annual budget allocation based on this cabinet decision.</p>	<p>According to the cabinet memorandum dated 30.08.2021, a report on the expected allocations to be saved from the budget allocations allocated to all ministries and departments and other institutions under it had to be submitted to the Director General of National Budget on or before 15.09.2021.</p> <p>But the Public Accounts Department has not given clear instructions on how to account for the provision savings notified as per the said memorandum even on 31 December 2021. Accordingly, as the provision savings should be correctly indicated, the provision savings of each expense account sent to the National Revenue Department was deducted as SAVING in the CIGAS system. Also, I kindly informed that these charges have been clearly informed and submitted to 2 monthly account summaries of the year 2021 and the final account summary has been submitted to the department indicating these savings in the revised account summary in January 2022.</p>	<p>Financial statements should be prepared in accordance with the Public Accounts Guidelines.</p>

## 1.6.2 Statement of Imprest Reconciliation

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<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
<p>The income collected by the reporting entity on behalf of other revenue accounting officers should not be included in the Statement of financial performance according to the paragraph 7.2 of Public Accounts Guidelines Circular No. 2021/03 dated 26 November 2021 and it is stated that the income should be adjusted in the final imprest reconciliation statement and the previous year's comparative figures should be indicated accordingly. But even though Rs. 30,567,623 has been mentioned as income collected by the Sports Development Department on behalf of other revenue heads in the final imprest reconciliation statement submitted by the Sports Development Department, comparative figures of the last year were not indicated.</p>	<p>Comparative information is submitted in the Statement of financial performance (ACA-F) as per Guideline 7.2 paragraph. ACA-7 format was not submitted as it was not specified in the format to submit comparative information</p>	<p>Financial statements should be prepared in accordance with the Public Accounts Guidelines.</p>

## 1.6.3 Statement of Financial Position

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### 1.6.3.1 Non-Financial Assets

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<b>Audit Observation</b>	<b>Comments of the Accounting Officer</b>	<b>Recommendation</b>
<p>(a) There was a difference of Rs. 71,503,757 under other structure outdoor sports and recreation facilities between the opening balance of the statement of non-financial assets of the reviewed year and the last year's closing balance and it was not disclosed in a note to the financial statements.</p>	<p>When checking departmental ledger balances and single balances in web interface, the opening balance of treasury notes was not correct in the balances of treasury notes as at 31.12.2020 in respect of non-financial assets. According to the departmental ledger, the difference of Rs. 71,503,757 between the correct balance of that the ACA 06 format (9151-1-3) Other structure (61113) prepared on 31.12.2020 and the balance of</p>	<p>Financial statements should be prepared in accordance with guidelines of the Public Accounts.</p>

the Cumulative Non-Financial Asset Report-2020 Final was rectified through letters addressed to the Public Accounts Committee from time to time. A separate format has not been introduced in the financial statements to specify such information and if such a change is shown from now on, I will submit the details of the relevant adjustments through notes in the financial statements.

- (b) Although the amount of Rs. 1,517,900 in relation to one vehicle out of 04 disposed vehicles by the department on September 2020 was paid to the department on 07 September 2020, Rs. 1,291,000 only was deposited in the bank on 09 September 2020 and the remaining amount was deposited in the bank on 09 September 2020 due to the use of this money for the daily payments of the department. It was observed that although the government money collected in terms of Financial Regulations 177(1) should be remitted daily, it had not been done accordingly.
- Due to the inability to encash the cheque of Rs. 347,310 received for daily payments on 8 September 2020, the relevant money was paid from the cash on hand on that day and the above cheque and the remaining amount were banked at the end of the day. (Confirmed as per bank statement)
- Collected government money should be remitted daily as per Financial Regulations 177(1).

#### 1.6.4 Rent and Work Advance Account

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The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) According to the financial statements, Rs. 32,791,686 of Value Added Tax (VAT) was included in the advance related to commencement of work in the balance of the rent and work advance account to be charged on	The balance as at 01 January 2021 includes the VAT tax amount related to the full advance amount and the VAT amount related to the rental work advance value charged in the previous years and during	Financial statements should be prepared in accurately.

- 01 January 2021 amounting to Rs. 214,180,450. the present year was collected in the year 2021. Accordingly, the remaining balance on 31 December 2021 includes the advance amount to be recovered and the VAT related to that amount.
- (b) The balance of Rs. 69,349,972 as at 31 December 2021 in the Rent and work advance account of the financial statements included the advance amount to be recovered and the Value Added tax related to that amount. The VAT amount related to the advance values that were recovered from the balances in the rental advance was collected in the year 2021 as indicated by the audit of the year 2021. Accordingly, an amount of Rs. 12,782,874.84 was transferred from the VAT reserve account in relation to the advances that had been collected by the year 2020. The advance value collection in relation to the year 2021 (Without VAT) is Rs. 119,291,837.63. The VAT value related to the advance values collected in relation to the year 2021 is Rs. 12,755,764.83. Financial statements should be prepared in accurately.
- (c) The advance amount of Rs. 40,962,026 (With tax) given for the construction of the Mannar Sports Complex and the balance of advance payment of Rs. 14,277,972 (Without tax) to be charged as at 31 December 2021 were not accounted in the financial statements. The construction project of Mannar district sports complex was awarded in the year 2015 and due to that it is a site of archeological value, the Department of Archeology had instructed to suspend the construction work by the letter dated 24.01.2018 and permission to resume work was given on 07.02.2019. The price variations were approved and the work resumed due to the change in prices at that time and due to these reasons, the construction was delayed. Rent work advance values should be properly accounted in the financial statement.

Although the work started here in the year 2015, since there was no CIGAS programme at that time, the accounting has not been done. Here the revised estimates have been prepared and work resumed and will be disclosed in the bills presented in the year 2021. I would like to inform you that necessary actions will be taken in future.

## 2. Financial Review

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### 2.1 Incurring into Obligations and Liabilities using budget allocations

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Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The development section of the department had received Rs. 996,659 worth of 03 bills were not included in the financial statement reports and treasury SA-92 reports.	There were errors in the calculations according to the agreement. So, the errors were sent to the consulting firm to be corrected. They were not included in the accounts payable as the bills were not paid at the time of preparation of the accounts payable.	Should be approached to the obligations in accordance with circular provisions.

### 2.2 Deposits

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The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Although lists should be prepared at the end of the year and credited to the relevant account or government revenue as the case may be in terms of Financial Regulations 571, it was observed that 18 retained deposits amounting to Rs. 6,647,740 in the deposit account as at 31	The deposit account indicates the payments made until now and remaining deposits to be paid after deducting the deposits presented to be paid to the accounts section, out of the deposits from 02 to 05 years and older than 05 years as at 31 December 2021.	Lists should be prepared at the end of the year and credited to the relevant account or to the government revenue as appropriate according to the Financial Regulations 571.

December 2021 had not been act in accordance with Financial Regulations by 25 May 2022.

The retention money for the projects that are not completed till now in the year 2020 and year 2021 cannot be released until the work is completed and the final bills are submitted and handed over.

(b) Although the maintenance period has been exceeded in relation to 05 contracts worth Rs. 1,277,020, it was observed that retention money has not released till the final bills are submitted.

I present the following points regarding the 5 projects that have exceeded the maintenance period.

- ❖ It has been submitted to the Accounts section for payment for the project of installing lights in the hockey stadium.
- ❖ Arrangements are being prepared to be submitted to the Accounts section for the maintenance of the Matara District Sports Complex.
- ❖ Letters have been sent asking for recommendations of the Municipal Council for the construction projects of the Kotahena sports complex.
- ❖ Letters have been sent requesting CECB's recommendation for Payagala Rajitha Senarathne stadium.
- ❖ The allowance has been submitted to the Accounts section for payment for the construction of the auditorium.

Lists should be prepared at the end of the year and credited to the relevant account or to the government revenue as appropriate according to the Financial Regulations 571.



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

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### Audit Observation

Reference to the Laws, Rules and Regulations	Non-compliance	Comments of the Accounting Officer	Recommendation
(a) Financial Regulations 139	The department had made payments of Rs. 26,328,910 as allowances for the players and coaches who represented Sri Lanka for the 2021 Tokyo Olympic games, without following the procedures of the Accounting Officers when paying the vouchers and the responsibilities of the officer paying the vouchers.	No answers.	Payment of vouchers should be done according to Financial Regulations and payments to players from sports fund should not be made through departmental expenses.
(b) Financial Regulations 260	Payments are to be made only to the person named in the vouchers or their legal representatives and although all safeguards should be made to ensure that no payment is made to the wrongdoers, the sportsperson's name was written as the donor's name in the cheque of Rs. 3,043,350 for 1500 American dollars which was decided to be paid to an athlete who represented Sri Lanka in the Olympics from Sweden, but later it was changed and without obtaining the player's consent, the amount and the casual allowance of US\$ 40 which was decided to be given to the player was Rs. 81,156 were given to the Sri Lanka Equestrian Association and the department had not received the confirmation (even on the date of the audit) that the	No answers.	Payments should be made only to the person mentioned in the vouchers or their legal representatives according to the Financial Regulations and the prescribed expenditure subject should be used in making payments to sports associations.

amount was given to the athlete.

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| (c) | Financial Regulations 880 and 881   | Out of 15 officers who were required to post bail in accordance with the Government Officers' bail Ordinance and in accordance with Financial Regulations 880 and 881, only 06 had deposited bail.   | 07 officials have been informed in writing to complete the bail bond forms and bail bond forms of two more officers have been completed and sent.   | Should be act in accordance with Financial Regulations.                           |
| (d) | Paragraph 01 of the Public Administration Circular No. 02/2018 dated 24 January 2018. | Annual performance agreements were to be signed for the entire staff, but they were not done so.   | Annual agreements have not been signed yet and steps are being taken to act with this in future.  | Should be act in accordance with circulars.                                       |
| (e) | Paragraph 7(xii) of the National Sports Associations order No. 01 of 2016.            | Although the National Sports Associations should prepare an annual action plan for the coming year and submit the said action plan to the Director General three months before the end of the current year, only 19 out of 65 sports associations had submitted action plans of the national sport associations for the year 2021. | The Department of Sports Development has informed in several times to the National Sports Associations/ Federations in writing. By telephone and e-mail to forward the action plan related to the year 2021 to the department and brought the annual plans. | All sports associations should be regulated by the Sports Development Department. |

### 3. Operational Review

#### 3.1 Abandoned projects without completion

Audit Observation	Comments of the Accounting Officer	Recommendation
The estimates expenditure of 13 projects proposed in the year 2021 and brought forward from previous years was Rs. 1155 million and the expenditure as at 31 December 2021 was Rs. 324 million. The	Among the 13 projects proposed in the year 2021 and brought forward from previous years, there are 04 projects whose construction	The construction of the started projects should be successfully completed on the scheduled date as

amount of Rs. 324 million that has been spent yet has been an unrealized expenditure due to that the projects have been abandoned without completion due to various reasons.

has not started, 03 projects planned. whose construction has stopped due to lack of funding, and 06 projects whose construction has been suspended due to various reasons.

### 3.2 Delays in Project Execution

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>The estimated cost of 33 projects proposed in the year 2021 and brought forward from previous years was Rs. 1834 million and the cost spent on 31 December 2021 was Rs. 1796.83 million. The completion of these projects was delayed due to various reasons. Work on only 10 projects had been completed and work on 07 more projects had been completed and received. It was difficult to get the expected benefits from the expenditure spent on these projects due to the difficulty of making provisions in the current economic crisis.</p>	<p>Out of 24 projects proposed in the year 2021 and brought forward from previous years, the construction of 10 projects is to be completed and received and another 07 projects have been constructed and received to the relevant parties and the Sports Development Department. Also, the construction of 16 more projects is underway.</p>	<p>The necessary steps should be taken to complete any project within the specified periods.</p>

### 3.3 Assets Management

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a) Valuation and accounting of land and buildings</p>	<p>Out of 9 places mentioned in the unregistered assets document, the Queen Elizabeth playground mentioned in No. 94/119, Nuwara Eliya is being taken over to the Ministry of Youth and Sports and the assets of the Torrington and Reid Avenue hostels</p>	<p>Assets should be accounted in accordance with the Public Accounts circulars.</p>
<p>The following lands and buildings belonging to the Department of Sports Development had not been assessed and accounted as on 31 December 2021.</p> <p>I. No. 33 Torrington Place – Colombo 07.</p> <p>II. Hockey playground 100/10 Independence Avenue, Colombo 07.</p>		

- III. Hostel near the hockey playground 100/08 Independence Avenue, Colombo 07. belonging to the Sports Development Department have been assessed and
- IV. Matara Kotawila playground, Matara. accounted. Current information on valuation of
- V. Polonnaruwa national sports complex remaining assets is provided.

#### 4. Human Resources Management

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Audit Observation	Comments of the Accounting Officer	Recommendation
<p>There were 03 senior level vacancies, 12 tertiary level vacancies, 59 secondary level vacancies and 18 primary level vacancies as at 31 December 2021 in the approved staff of the Sports Development Department and it was observed that there were 52 vacancies related to 03 senior level posts and 07 posts of staff related to sports activities, which highly affect the performance of the department and the field of sports.</p>	<p>Recruitment is in progress for the vacant posts.</p>	<p>Should be filled the vacancies of directly affecting the performance of the department in accordance with existing Public Administrative circulars.</p>