

National Sports Fund - 2022

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the National Sports Fund for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance, statement of 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 the 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 . My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the National Sports fund as at 31 December 2022 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 Opinion

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 opinion.

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

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 Sub 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 of the fund.

1.4 Auditor's Responsibility 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 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 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 audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the fund has performed according to its powers, functions and duties; and
- Whether the resources of the fund had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Non-Compliance with Law, Rule, Regulations and Management Decision

	Reference to the Law, Rule, Regulations	Non-Compliances	Comment of the Management	Recommendation
(a)	Section 25 (2) of the Sports Act No. 25 of 1973	A report on the administration of the fund was not prepared for the year 2022.	It will prepare and deliver before 18 August 2023.	An administrative report should be prepared.
	Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(a)	Financial Regulations 877 (1) (c) and (d)	The approval of the Treasury had not been obtained for the budget of the National Sports Fund for the year 2022.	Action will be taken to submit to the Director General of Budget and Director General of Public Finance.	Approval of the Treasury should be obtained for budget of the Fund.

- (b) Section (d) of the Financial Regulation 877 (2) A performance report of the National Sports Fund was not prepared for the year under review. A performance report for the year 2022 will be prepared and provided promptly. A performance report should be prepared

2. Financial Review

2.1 Financial Result

The operating result for the year under review was surplus of Rs. 193,190,265 and corresponding surplus of the preceding year was Rs. 12,466,602. Accordingly, an improvement of Rs.180,723,663 was observed in the financial result. This improvement was mainly due to the increase in income of Rs.187,652,998 of the Fund.

3. Operational Review

3.1 Management Inefficiencies

	Audit Observation	Comments of the Management	Recommendation
(a)	A sum of Rs.10,000,000 was allocated in the 2022 budget for the nutritional allowances of the players and it was reduced to Rs.2,650,000 in the revised budget. The actual cost spent for this in the year 2022 was Rs. 2,601,004 and out of which Rs.1,191,004 was the monthly stipend paid to two players train in foreign and Rs.1,410,000 was the nutritional allowance given to the players sponsored under the High Performance Program. Compared to the expenditure of Rs.8,215,107 spent in the year 2021, the expenditure of the year 2022 had decreased by 68 percent. Accordingly, despite the surplus of the year under review was improved compared to the previous year, adequate attention was not drawn to improve the nutritional status of the players.	Improving the nutritional status of players has not been specifically included as a major task among the tasks to be use of the money of the Sports Fund. Considering the amount of money in the fund, the sponsorship of the private sector and the recommendations of the Director General of Sports regarding the nutritional status of the players, nutritional allowances have been given to the highly talented sportsmen and women.	Adequate attention should be given to improve the nutritional status of players to enhance their performance.

- (b) According to the original budget of the year 2022, welfare allowances of Rs. 4,600,000 for coaches cut by the revised budget and thus enough attention was not paid to raising the motivation of the coaches which directly affects the performance of the players. Payments have been made as per the approval of the Minister considering the recommendation of the Sports Development Department as per the provisions of the Sports Act for the development of sports. Special attention should be paid for the development of sports.
- (c) Although the functions of the fund should have been continued with the aim of improving the sports capabilities, the allocation of Rs.21,500,000 allocated for the improvement of the abilities of players, coaches and officials in the 2022 budget had been reduced by 98.6 percent to Rs.300,000 in the revised budget. Payments will be made under this expenditure item to implement the capacity development programs of players and coaches and the budget has been revised due to the limitation of conducting the programs and non-collection of revenue as expected. Attention should be paid to the use of sports funds to improve sports skills.
- (d) Although there are 66 national sports registered under the Sports Development Department, financial support of Rs. 167,437,307 had been given only for the 21 national sports by the National Sports Fund in the year 2022. Out of that amount, Rs. 38,388,967 that is 23 percent for athletics, Rs. 32,918,499 that is 19.6 percent for netball and Rs. 15,000,000 that is 8.9 percent for rugby was spent. Thus, 51.5 percent of the amount was spent only for 03 national sports. Although there are 66 national sports, the National Sports Fund has not paid enough attention to the encouragement and development of national sports due to the financial contribution of the fund given only for 21 national sports. Financial support has been provided from time to time as per the powers of the Minister of Sports for the development of other Associations/Federations and players. As per accepted policy, attention should be given to the encouragement and development of national sports.
- (e) Special attention had not been given for the establishment of inter-school sports activities and Rs. 300,000 had been spent only for 3 schools in one district to participate for the sport competition. Special attention was not given for the establishment of inter-school sports activities and only 3 schools in one district were paid Rs. 300,000 had been spent. Financial support has been given from time to time by the National Sports Fund for the promotion of sports from school level. A formal system should be followed to promote the sport from the school level.

3.2 Operational Inefficiencies

Audit Observation	Comment of the Management	Recommendation
(a) High performance program aimed at the Commonwealth and Asian Games, although sponsorship has been given to selected sports with the expectation of developing the abilities of the players and winning the respective competitions, sponsorship was not received under this program for 9 sports such as swimming, gymnastics, squash, table tennis, basketball, beach volleyball, cricket (women), rugby and wrestling. Accordingly, out of the total 116 players who represented the Commonwealth Games, 78 players that is 67 percent were not sponsored under this program.	Payments are currently made based on the criteria issued formally by the Sports Council.	Sponsorship for players should be given according to a formal approval process.
(b) The receivable stipend and monthly nutrition allowance had been forfeited to the player who won a bronze medal for Sri Lanka under the program, due to the wrestling sport that won a bronze medal for Sri Lanka in the women's freestyle 57 kg wrestling competition at the Commonwealth Games had not become a selected sport to receive grants under the High Performance Program.	-Do-	-Do-

3.3 Deficiencies in Contract Administration

Audit Observation	Comment of the Management	Recommendation
<p>The National Sports Fund had given Rs.9,157,992 to the Matara District Secretariat for the construction of a building for the Matara Kamburupitiya Boxing Gymnasium and the development of the Kamburupitiya Volleyball Stadium and the total contract cost was Rs.7,265,483. The remaining amount of Rs.1,892,509 was deposited in the General deposit account of the Matara District Secretariat during a period of one year and six months from January 2022 to July 2023, but the money was not returned to the National Sports Fund or used for other development works.</p>	<p>This money will be promptly credited to the fund in the future.</p>	<p>Formal and adequate follow-up should be done regarding the provisions given by other Government Agencies while carrying out development activities.</p>