

## **Head 194 - Ministry of Sports and Youth Affairs**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Ministry of Sports and Youth Affairs for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 Sports and Youth Affairs was issued to the Chief Accounting Officer on 04 June 2024 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 of Sports and Youth Affairs was issued to the Chief Accounting Officer on 14 June 2024 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 Sports and Youth Affairs as at 31 December 2023, 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 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**

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**

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 judgments 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 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 recommendation made by me on the financial statements of the preceding year had not been implemented.

<b>Reference to the Paragraph</b>	<b>Audit Observation</b>	<b>Recommendation</b>
Paragraph 2.2 of 2022	Action had not been taken in respect of 09 deposits of Rs. 1,949,331 relating to the period from 02 to 05 in terms of the Financial Regulations 571 of the Government of the Democratic Socialist Republic of Sri Lanka.	Action should be taken in accordance with the Financial Regulations 571.

## **1.6 Comments on Financial Statements**

### **1.6.2 Non-financial Assets**

The following observations are made.

	<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
(a)	The land located at the Ministry of Sports and Youth Affairs, 03 lands belonging to the National Center for Leadership Development in Embilipitiya and the lands the Institute of Sports Science and the Institute of Sports Medicine located had not been acquired, valued and accounted for as at the end of the year under review.	<p>The land on which the Ministry building is located is currently being acquired in coordination with the Divisional Secretariat, Thimbirigasyaya.</p> <p>The land on which the National Institute of Sports Science building is located and the land with the building on which the Sports Medicine Institute is located is a land owned by the Department of Sports Development.</p> <p>The survey of the land belonging to the National Center for Leadership Development in Embilipitiya has been completed and sent to the Senior Surveyor General of Ratnapura for preparation of plan deed and verification.</p>	Assets should be legally acquired and included in the financial statements.

- (b) According to Guideline 8.2 of the State Accounts Guidelines No. 2022/05 dated 13 December 2022, the Ministry had not taken steps to value and account the non-financial assets in the Diyagama Mahinda Rajapaksa International Sports Complex under the Ministry, the land and building belonging to the National Sports Council, the lands, buildings, machinery owned by the Small Business Development Division and the non-financial assets in the buildings owned by the National Center for Leadership Development.
- The necessary surveying activities are being carried out to transfer the land on which the Diyagama Mahinda Rajapaksa International Sports Complex is established to the Ministry, and the Divisional Secretary of Homagama has informed that recommendations for transfer will be submitted after receiving the report.
- Assets should be legally acquired and included in the financial statements.
- The building and land on which the National Sports Council is located belong to the Department of Sports Development and that land and buildings have not been assessed yet.
- The Department of Valuation has informed that the land survey and plan are required for the valuation of the buildings owned by the National Center for Leadership Development, so steps will be taken to take further action after receiving the relevant documents from the Survey Department.
- (c) The ownership of 02 vehicles with a value of Rs. 11 million used for the pool activities of the Ministry had not been taken over from the Presidential Secretariat and the value of those assets also had not been shown in the accounts of the Ministry.
- Vehicles** - A letter has been sent to the Presidential Secretariat informing that the two double cab vehicles bearing registration numbers PB - 9860 and PE -7746 should be handed over to this Ministry as soon as possible.
- Assets should be legally acquired and included in the financial statements.
- (d) Action had not been taken to identify and account the completed projects that were included in 29 works-in-progress worth Rs. 1,184 million and the Ministry had not made the necessary adjustments regarding projects assigned to other government institutions and schools.
- Necessary steps are being taken to identify the completed projects included in the works-in-progress account and formally hand them over to the relevant institutions. I would also like to inform you that steps are already being taken to obtain the necessary recommendations from the Ministry's engineers for this purpose.
- The Ministry should identify and account for completed projects and make adjustments for projects assigned to other government institutions and schools.

## 2. Financial review

### 2.1 Expenditure Management

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) The estimates had been prepared without proper forecasting and rational basis as per the provisions set out in Financial Regulation 50 of the Democratic Socialist Republic of Sri Lanka. As a result, the estimated provisions for 20 expenditure items amounting to Rs. 89 million had been fully saved without being utilized for any purpose. Further, provisions made for another 08 expenditure items had been transferred to other expenditure items under Financial Regulation 66, either in full or in the range of 50 - 100 percent resulting the estimated provisions for 12 expenditure items had been increased in the range of 50 - 530 percent.	Transfers have been made through savings due to reasons such as working according to national budget circulars, although the allocation were made, expenditure requirements had not arisen and insufficient allocation for some expenditure items.	Estimates should be prepared with proper forecasting and a rational basis.
(b) A difference of Rs. 6 million was observed between the capital grant of Rs. 573 million had been provided to the National Youth Services Council by the Ministry of Sports and Youth Affairs during the year 2023 and the value of expenditure accounted for by the National Youth Services Council.	Approval has been given to the District Secretariat, Ampara to incur expenses for the Youth Agri-Corps and Agri-Enterprise Promotion Program 2022 under the expenditure item 194-2-7-2-2201. Accordingly, it is observed that the expenditure of Rs. 6,567,873 accounted for by the District Secretariat, Ampara has not been included in the accounts of the National Youth Services Council. Accordingly, it has been informed to correct it.	The accounting of grants given to state institutions should be monitored by those institutions.

## 2.2 Deposits

The following observation is made.

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
Necessary action had not been taken in respect of 14 deposits remained in the deposit account between 02 and 05 years and more than 05 years totaling Rs. 17 million and Rs. 1.6 million respectively as at 31 December 2023 after assessing the further obligations for settlement.	Information has been sought from the relevant departments regarding the recommendations of the project consultant in the relevant project and action will be taken to release the deposits after receiving the information.	It should be investigated whether there is any further obligation regarding the deposits and action should be taken to release them accordingly.

## 3. Operational Review

### 3.1 Performance

#### 3.1 Non-achievement of the Desired Level of Outcome

The following observations are made.

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
(a) The Ministry of Sports and Youth Affairs had awarded a contract worth Rs. 12 million to a private contractor on 28 March 2018, to complete the archery range and shooting range of Maliyadeva Vidyalaya, Kurunegala within 06 months without being conducted a feasibility study for this project. Further, an additional amount of Rs. 4,225,610 including tax had been paid to the contractor over the agreed value and the Ministry had failed to make the said playing grounds as usable stage till now.	No comments were given.	The projects should be designed to be efficient and achieve the desired objectives effectively after conducting the feasibility study. Furthermore, construction projects should be systematically managed and monitored.

- (b) The Ministry had made a budgetary allocation of Rs. 3,866 million from 2017 to 2022 to develop the Diyagama Mahinda Rajapaksa International Sports Complex as a sports academy and international stadium and out of that, only Rs. 606 million had been spent. Although 400-meter artificial track had been built at a cost of Rs. 487 million, it was damaged at several places and due to the significant weaknesses in the construction the lines separating the lanes had faded, causing inconvenience to athletes who are participating in competitions on the track. Furthermore, although an advance of Rs. 5.4 million had been paid to a government construction company in 2019 without a contract agreement to carry out the renovation work of the kitchen, but the Ministry was unable to recover the advance due to the non-performance of the relevant construction work.
- No comments were given.
- Construction projects should be systematically managed and monitored.
- (c) A private company named Technomedics International private limited had entered into a contract agreement with the Institute of Sports Medicine on 16 November 2021 for the supply, installation, commissioning, training and maintenance of equipment for the Human Performance Laboratory for a sum of Rs. 249 million. However, a cost-benefit analysis had not been conducted in this regard. Although the company had only installed the equipment on 23 and 24 January 2023, the operations at the laboratory had not been commenced. Even though the contractor should be installed the equipment within a contractual period of eight weeks from 16 November 2021, the supplier had installed the equipment after a delay of 13 months. Although
- The Institute of Sports Medicine has taken all necessary steps to ensure that the activities of the Human Performance Laboratory are carried out properly and the Institute of Sports Medicine will continue to carry out the necessary activities without fail in the future.
- A cost-benefit analysis should be conducted before initiate the project. It should negotiate with the supplier to obtain value for money spent for this project, and delay charges should be recovered for unacceptable delays.
- Since the delay in the project is due to factors beyond the control of the relevant party, no

according to conditions to the contract No.26.1, a delay charge of 1 percent per week up to a maximum of 10 percent, i.e. Rs. 25 million, could be recovered, the Ministry had not taken steps to conduct an analysis and recover the delay charges.

delay charges were recovered.

### 3.2 Projects abundant without complete

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>Although a sum of EUR 264,492.34 or Rs. 51 million had been paid as loan facility fees for the construction of the high-altitude sports complex, which was proposed to be built on a 34.5-hectare land belonging to the Ministry of Sports, due to the abundant of the project in the year 2021, the entire expenditure incurred thereof had become fruitless. In addition, this contractor had also requested compensation of EUR 23 million in the year 2023, and the Ministry had sought the advice of the Attorney General in this regard.</p>	<p>It has stated in the Cabinet Memorandum No. AMAP/20/0822/204/080 dated 11.06.2020 submitted by the Minister of Finance, that it would be more effective to cancel this agreement, even though EUR 264,492.34 had been paid as loan facility fees, as the country's debt burden may increase due to the continuation of this project.</p>	<p>The projects should be planned to achieve the desired objectives and action should be taken as per the instructions of the Attorney General regarding the compensation claim.</p>

### 3.3 Assets Management

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>Due to the non-approval of the Atomic Energy Regulatory Council for the purchase of non-financial assets by the Sports Medicine Institute without a radiologist, the X-ray room, which was equipped with a Mobile X-Ray machine worth Rs. 3 million, a Radiation Protection Accessories Set worth Rs. 1.1 million, an X-ray table worth Rs. 4.3 million and an X-Ray Digital Film Imaging System worth Rs. 1.6 million, remained unused for more than 07</p>	<p>With the aim of establishing a Radiology Section at the Sports Medicine Institute, approval was also sought from the Department of Management Services for the recruitment of a Radiologist in 2016, along with the purchase of an X-ray machine. However, after suppressing several posts in the Institute, the Department of</p>	<p>A feasibility study should be conducted before purchase of assets and steps should be taken to utilize the purchased equipment effectively.</p>



years, 06 years and 02 years respectively from the date of purchase.

Management Services approved 03 more posts including the post of Radiologist on 31/08/2023.

With that approval, recruitment procedures were prepared and as per the instructions given to carry out future recruitments, a recruitment procedure was prepared and forwarded to the Infrastructure Development Division on 14/12/2023 for further action.

### 3.4 Management Inefficiencies

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) The activities for amending and updating the Sports Act, No. 25 of 1973 to resolve practical implementation issues had not been completed.	A committee with expertise in sports, technology, law and various fields was appointed to amend the existing Sports Act and the committee has prepared a draft of the revised Sports Act after consulting the views of relevant institutions and various stakeholders. The relevant draft has been forwarded to the Presidential Secretariat on 2023.11.29 for further action.	The Sports Act should be amended without any delay.
(b) Although it is a main activity of the Institute of Sports Science to develop the skills and attitudes of all national sports associations and sports coaches affiliated to them and issue them with coach registration certificates, out of 66 associations registered with the Department of Sports Development as at the date of audit, the registration certificates had been issued to only 2,067	Coaches in major sports have been registered and coach registration certificates have been issued to them and these certificates have been updated every two years.	The Institute of Sports Science should be given the necessary legal power to regulate coaches.

coaches belonging to 21 different sports associations. Although the coaches of the remaining 45 sports associations had not been registered with the Institute of Sports Science, they also carried out sports training activities, and the National Institute of Sports Science had not taken the necessary steps to ensure that coaches who did not obtain the Coach Registration Certificate from the Institute of Sports Science could not carry out their training activities and that the Institute of Sports Science had the responsibility of training sports coaches as well as the legal powers, and to make the necessary legal amendments to obtain them.

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| (c) | An employee with a disaster loan balance of Rs. 199,460 and a festival advance loan balance of Rs. 8,750 and another employee with a disaster loan balance of Rs. 129,855 had vacated their posts during the year under review, and the Ministry had failed to recover the disaster loan balances and festival advance balances that were due from them. In addition, another loan balance of Rs. 26,567 remained unrecovered for a period of 05 to 10 years. | Necessary steps are being taken to recover the loan balances. | The loan balances should be dealt in accordance with the financial regulations and the loans should be recovered without delay. |
| (d) | The Ministry had failed to recover the mobilization advances amounting to Rs.15 million, Rs.5 million and Rs.6 million given for the power generator room project at the Diyagama Mahinda Rajapaksa Stadium, the renovation project of the kitchen and cafeteria building and preparation works of the St. Anthony's College sports field in Katugastota respectively.  | Comments not given  | Advances should be settled properly and promptly.   |

4. **Human Resource Management**

<b>Audit Observation</b>	<b>Comment of the Accounting Officer</b>	<b>Recommendation</b>
<p>There were 253 vacancies as at 31 December 2023 including 30 senior-level posts, 51 tertiary-level posts, 116 secondary-level posts, and 53 primary-level posts in the Ministry of Sports and its affiliated Small Business Development Division, National Center for Leadership, National Institute of Sports Science, Institute of Sports Medicine and Infrastructure Development Division. These vacancies contained the staff shortages that were very important to the performance of the Ministry. Further, there were 11 and 02 excess cadre in the post of Training and Research Assistant/Development and the Office Support Service respectively in the National Centre for Leadership Development.</p>	<p>Recruitment has been temporarily suspended based on existing policy decisions. Requests have been made to the Ministry of Public Administration to fill the necessary vacancies for other combined service posts. New recruitments were made in the year 2024.</p>	<p>Taking into account the requirements, immediate steps should be taken to fill the vacant post.</p>