National Sports Fund -2024

1 Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the National Sports Fund for the year ended 31 December 2024 comprising the statement of financial positions at 31 December 2024 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information, 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 and Finance Act No. 38 of 1971 and Section 25(4) of the Sports Act No.25 of 1973 of the National State Assembly (NSA). My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2024, 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 Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report.

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 qualified 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 Fund's financial reporting process.

As per 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 Audit Observations on the preparation of Financial Statements

1.5.1 Accounting Deficiencies

	Audit Observation	Comments of the Management	Recommendation
(a)	Even though a music concert called "RISE 2023" had been held by the Ministry's Employees' Welfare Association in year 2023 with the aim of collecting Rs. 5 million for the National Sports Fund, the net income of Rs. 2.26 million received from that concert had not been included in the financial statements until now. As a result, the accumulated fund included in the financial statements had been understated by that value.	It is kindly informed you that steps will be taken to transfer the said money to the National Sports Fund promptly.	Income received should be accounted for correctly.
(b)	The amount of Rs. 48.36 million that was due to the contractor as of 31 December 2024 due to changes in the original estimate for the development of the Matale hockey field had not been included in the financial statements. As a result, the current liabilities included in the financial statements had been understated by that value.	There was no more money left in the National Sports Fund to pay for that project after spending the money provided by the National Sports Fund for the artificial lawn and civil works.	Amounts due should be reflected accurately in the financial statements.

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

	Reference to the Law, Rule, Regulations	Non-Compliances	Comment of the Management	Recommendation
(a)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka 877(2) as amended by Public Finance Circular No. 01/2020 dated 28 August 2020	Even though a performance report on the Fund should be submitted to the Auditor General with a copy to the Department of Public Finance within 02 months of the end of the accounting year, a performance report had	It is further informed that these reports will be submitted as at the due date.	Action should be taken as per the circular instructions.

		not been submitted by the National Sports Fund for the year 2024 to the Auditor General as of the date of this report.		
(b)	Section 25 (2) of the Sports Act, No. 25 of 1973 of the National State Assembly	Even though a report on the administration of the Fund should be prepared by the Secretary as soon as possible after the end of each financial year, the reports for the year under review and the previous years had not been prepared as of the date of this report.	It is informed that this report for the year 2024 will be prepared and submitted as soon as possible.	Action should be taken in accordance with the provisions of the Act.

2. Financial Review

2.1 Financial Result

The operating result of the Fund for the year under review was a surplus of Rs. 102.47 million and corresponding surplus of the preceding year was Rs. 36.03 million. Accordingly, an improvement of Rs. 66.44 million was observed in the financial result. This improvement was mainly due to the expenditure incurred on sports competitions, welfare expenditure and expenditure for development projects during the year under review decreased by Rs. 54.50 million compared to the previous year.

2.2 Trend Analysis of major Income and Expenditure items

Analysis of major income and expenditure items of the year under review compared with the preceding year with the percentage of increase or decrease be evaluated and observations are shown below.

Description	2024 Year	2023 Year	Difference Profit / (Loss)	Difference Percentage
	Rs. million	Rs. million	Rs. million	%
Income				
Government grants	206.27	193.56	12.71	6.57
Investments	2.11	12.57	(10.46)	(83.21)
Other Income	82.48	86.02	(3.54)	(4.12)
Expenses				
Sports competitions	65.19	87.00	21.81	25.07
Welfare and Coaching Allowances	2.83	19.07	16.24	85.16
Development projects	116.50	132.96	16.46	12.38
Other operating expenses	3.88	17.10	13.22	77.31

The income had been stated as receivable As a result of the failure to receive the amount of Rs. 156.27 million due to the National Lottery Board for the year 2024, which was included in the government grants.

3. Operational Review

3.1 Management Inefficiencies

	Audit Observation	Comments of the Management	Recommendation
(a)	Even though the National Sports Fund has been established in accordance with Section 22 of the National Sports Act No. 25 of 1973 with the objective of encouraging, promoting and developing sports in Sri Lanka, the main objectives of the fund identified in the financial statement submitted to the audit (Note No. 01) are improving the nutritional status of the annual athletes and enhancing their sporting abilities. Therefore, it is observed that those key functions and objectives have not been identified properly the Fund.	The observations made by you are accepted, and steps will be taken to record those objectives when preparing future financial statements. .	The main functions and objectives of the Fund should be properly identified and steps should be taken to achieve them.
(b)	Rs. 156.27 million and Rs. 367.26 million due to the Fund for the year 2024 and previous years respectively had not been received by the National Lotteries Board due to the failure to submit a document regarding the planned activities of the Fund to the Treasury. Therefore, the funds had been raised through fixed deposits of Rs. 29.37 million with the aim of continuing the activities of the fund.	Steps will be taken to implement this in a more efficient and planned manner in due course.	A document on the planned activities should be submitted to the Treasury.
(c)	Even though the fund should have an updated database of the achievements of athletes at the national and international level to encourage them in accordance with Sections 27 (a) and (b) of the National Sports Act No. 25 of 1973, a database of the skills, rankings and achievements of Sri Lankan athletes both locally and internationally had not been maintained by the Fund.	An updated database of athletes has been implemented through the sports regulations through the association conferences.	An updated and systematic database should be developed.

3.2 Operational Inefficiencies

	Audit Observation	Comments of the Management	Recommendation
(a)	It was observed during the audit that the fund releases money based on requests made from time to time by various individuals and parties to the Sports Development Department instead of formulating and following a formal system to provide support and sponsorship to athletes and coaches who participated in various international competitions. Accordingly, an amount of Rs. 8.33 million was provided in the year 2024, and any follow-up had not been conducted by the fund on whether the money was used for specific purposes. Furthermore, it was observed during sample audits that instead of looking into the competitions that should be participated in by Sri Lanka and providing support and sponsorship for them, these activities were being carried out irregularly and that it was observed that the funds had been released without confirmation from the relevant international sports associations.	It is acknowledged that an irregularity has occurred, and it is informed that it will be corrected in the future and a formal procedure will be followed. Similarly, It is kindly informed that follow-ups will be carried out on the sponsors provided for this purpose for.	A formal procedure should be followed when releasing funds and follow-ups should be conducted to ensure that they have been used for specific purposes.
(b)	Even though incentives and award prizes should be provided to the athletes by the Sports Fund for their achievements at the international level, an amount of Rs. 20 million had been given by the Fund to hold the Sri Lanka Sports Fiesta 2024, a politically-oriented program jointly organized by the Sports Ministry, the Sports Development Department and Dialog instead of taking necessary steps to identify the athletes who should be awarded with cash prizes for the year 2024 and to award them with cash prizes.	It is informed that even though no estimates have been allocated for the Sports Fiesta 2024 programme, these expenses have been borne from the budget estimates allocated for local competitions.	A formal system should be developed to provide support and sponsorship to athletes.
(c)	Even though Rs. 2.2 million (7000 USD) of the money spent on 03 rugby tournaments held in Nepal and Malaysia in 2024 had been paid as	Please be informed that steps will be taken to recover that amount in due course.	Action should be taken to recover the deposits promptly.

refundable deposits, action had not been taken to recover that amount by the end of the year under review.		

3.3 Transactions of Contentious Nature

Audit Observation	Comments of the Management	Recommendation
An amount of Rs. 12 million had been paid by the Fund as compensation for 08 dead and 16 injured persons who victimized in the accident that occurred during the Fox Hill Super Cross 2024 tournament organized by the Sri Lanka Army and the Sri Lanka Automobile Sports Association in the year 2024. This compensation amount had to be borne by the government due to the lack of full insurance coverage and this loss had been borne by the fund on the recommendations of the former Sports Minister without taking steps to recover it from the party that organized the tournament.	Since the organizers of the Fox Hill Super Cross 2024 tournament organized by the Sri Lanka Army and the Automobile Sports Club had not obtained full insurance and Since there is no system to pay the compensations, it is kindly informed that this compensation has been paid by the National Sports Fund with the approval of the Honourable Minister, after sympathetic consideration in this regard.	Steps should be taken to minimize loss by obtaining insurance coverage through a risk assessment before organizing a tournament.

3.4 Deficiencies in contract administration

Audit Observation	Comments of the Management	Recommendation
Rs. 39.9 million had been spent from the fund to construct a swimming pool complex at St. Anthony's National School, Wattala, located in the Kelani Education Zone, and the contractor for this project had been selected by the school and made payments to him directly by the Fund instead of making payments through the relevant school. Furthermore, the payments had been made to the contractor without obtaining a completion report stating that the project had been successfully completed and without charging retention fees.	The procurement process had been carried out properly under the leadership of the school principal and the School Development Board for this construction contract, and the contractor had been selected and entered in to agreements. Accordingly, the contractor had been paid directly from the contract money as requested by the school principal.	Payment should be made to the contractor after obtaining a completion report stating that the project has been successfully completed and after collecting retention fees.