

Sri Lanka Badminton Association- Year 2016

The audit of financial statements of Sri Lanka Badminton Association for the year ended 31 December 2016 comprising the statement of comprehensive income, statement of changes in accumulated funds and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 9 of the Sports (Amendment) Act No.47 of 1993. My observations relating to the operation of the Association in the year under review which I consider should be furnished to the Parliament in terms of Article 154(6) of the Democratic Socialist Republic of Sri Lanka appear in this report.

1.2 Executive Committee's Responsibility on the Financial Statements

Executive Committee is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards for Small and Medium- size Entities and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the financial statements 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 Association's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of Sri Lanka Badminton Association as at 31 December 2016 and its financial performance and cash flows for the year ended in accordance with Sri Lanka Accounting Standards for Small and Medium- size Entities.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Accounting Standards for Small and Medium- size Entities

Even though computer accessories costing Rs.233,490 had been fully depreciated due to not annually reviewing the useful life for non- current assets in terms of Paragraph 19 of the 17th Part of the Standard, they remained being further used. As such, action had not been taken to rectify that estimate error in terms of Paragraph 18 of the 10th Part of the Standard.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) Recoverable Deposits amounting to Rs.20,000 had been brought to account as repair and maintenance expenses instead of bringing to account as Receivable Deposits.
- (b) Fixed Deposits and depreciation relating thereto had been understated due to Fixed Assets amounting to Rs.374,740 purchased in the year under review being brought to account as repair expenses.

2.2.3 Lack of Evidence for Audit

Evidence indicated against each item had not been furnished to audit relating to the transactions and account balances given below.

Item of Account	Value	Evidence not made Available
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	Rs.	
Payable Unsettled Opening Balances- 2011	409,039	} Documents of Confirmation
Payable Unsettled Opening Balances- 2012	470,039	
Pre- payments	210,953	
Receipts from the Sports Development Department	9,010,188	Receipts and Documents of Confirmation.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Association for the year under review had resulted in a surplus of Rs.383,171 as compared with the corresponding surplus of Rs.251,803 for the preceding year, thus indicating an improvement of Rs.131,368 in the financial result in the year under review as compared with the preceding year. Even though the Administrative Expenditure had increased by a sum of Rs.1,337,927, the increase of the income by a sum of Rs.2,344,054 had been the main reason for the above improvement.

4. Accountability and Good Governance

4.1 Action Plan

An Action Plan including the objectives and the targets that should be achieved within the period had not been prepared in terms of the Public Finance Circular No.01/2014 of 17 February 2014.

4.2 Internal Audit

An Internal Audit Unit had not been established in terms of the Financial Regulation 133(1)(a) of the Democratic Socialist Republic of Sri Lanka.

4.3 Budgetary Control

Even though a Budget should be prepared before the commencement of the Financial Year in terms of Section 5.2 of the Public Enterprises Circular No.PED/12 of 02 June 2003, a Budget had not been prepared by the Association for the year under review.

5. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Institution from time to time. Special attention is needed in respect of the following areas of control.

Areas of Systems and Controls

Observations

(a) Accounting

Not carrying out Accounting based on Accounting Policies.

(b) Budgetary Control

Not having a system of budgetary control that could be utilized to achieve the intended objectives.

(c) Maintenance of Registers

Not preparing Detailed Schedules relating to Items of Accounts.