

Sri Lanka Badminton Association- Year 2017

The audit of financial statements of Sri Lanka Badminton Association for the year ended 31 December 2017 comprising the Balance sheet as at 31 December 2017 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 presented 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 2017 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

The following observations are made.

- (a) As a result of not annually reviewing the useful life for non- current assets in terms of Paragraph 19 of the Chapter 17 of the Standard, even though computer accessories costing Rs.233,490 had been fully depreciated, they remained being further used. Therefore action had not been taken to rectify that estimate error in terms of Paragraph 18 of the Chapter 10 of the Standard.
- (b) Even though the assets and liabilities shall not be settle each other when preparing financial statements except it was allowed as per Paragraph 52 of the Chapter 2 of the Sri Lanka Accounting standards two credit Balances payable totalling Rs.10,687 and a credit balance of the suspense account amounting to Rs. 3,000 had been settled during the year under review against 10 Receivable Balances amounting to Rs.1,445,758 and Rs.1,432,071 had been stated as Receivable balance under the current assets in Balance sheet.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) Air ticket costing Rs.13,109,475 and money donation Rs.8,642,864 had been received to the Badminton Association during the year under review from the Department of Sports Development for attend to foreign sports competitions those receipts had not been accounted under income and expenditure.

- (b) The sum of Rs.500,000 which should be received from the Department of Sports Development for preparing action plan of the Badminton Association had not been accounted as income and income receivable of the year.
- (c) Computer Accessories depreciation had been overstated by amounting to Rs.58,372 during the year under review due to that excess of the year and fixed assets had been understated by the same amount.

2.2.3 Receivable and Payable Accounts

The Following Observations are made.

- (a) Action had not been taken to recover the two receivable balances aggregating Rs.24,920 remained outstanding 5 years and another 02 balances totalled to Rs.109,446 over two years were remained in the balance sheet as at 31 December 2017 under receivable.
- (b) Action had not been taken to settle fifteen account balances totalled Rs.2,290,429 included in the accrued expenses existing over five years and four account balances totalled Rs.3,746,110 included in the other liabilities existing 3 to 5 years.
- (c) Unidentified old payable Employee Provident Fund balance amounting to Rs.29,300 and payable Employee Trust Fund balance amounting to Rs.10,680 included in the accrued expenditure had not been adjusted in accounts.

2.2.4 Non compliances with Laws, Rules, Regulations and Management decisions

Instances of non-compliance with Laws, Rules and Regulations etc. observed in audit are shown below.

Reference to laws, Rules and Regulations	Non – compliance
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(i) Financial Regulation of the Democratic Socialist Republic of Sri Lanka	
(a) Financial Regulation 396 (d)	The association had not taken timely action on 03 cheques valued at Rs.57,517 presented to bank but not realized for more than 6 months from the date of issue
(b) Financial Regulation 757	Assets had not been physically verified as at end of the year.
(ii) Treasury Circular No.842, dated 19 December 1978	Fixed assets register had not been maintained for Fixed assets of the Association amounting to Rs.2,695,363

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Association for the year ended 31 December 2017 had resulted in a surplus of Rs.6,184,395 as compared with the corresponding surplus of Rs.383,171 for the preceding year, thus indicating an improvement of Rs.5,801,224 in the financial result in the year under review as compared with the preceding year. The increase of the income by a sum of Rs.5,430,677 had been the main reason for the above improvement.

4. Accountability and Good Governance

Following observations are made.

(a) Internal Audit

Although Internal Audit Unit should be implemented in terms of the Financial Regulation 133 of the Democratic Socialist Republic of Sri Lanka action had not been taken to establish a internal audit unit by the Association.

(b) Budgetary Control

Even though a Budget should be prepared before the commencement of the each 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.

(c) 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 for the year 2017.

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 Association from time to time. Special attention is needed in respect of the following areas of control.

Areas of Systems and Controls

- (a) Accounting
- (b) Budgetary Control

Observations

- Accounts not prepared by identifying accounting policies.
- Not having a system of budgetary control that could be utilized to achieve the intended objectives.