

## **Sri Lanka Badminton Association - 2019**

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### **1.1 Disclaimer Opinion**

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The audit of the financial statements of the Sri Lanka Badminton Association for the year ended 31 December 2019 comprising the balance sheet as at 31 December 2019 and the statement of comprehensive income, statement of changes in accumulated funds and 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 Article 154(3) 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.

I do not express an opinion on the accompanying financial statements of the Association. Because of the significant of the matters discussed in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### **1.2 Basis for Disclaimer of Opinion**

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My opinion is disclaimed based 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 auditing standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report.

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

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Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards for Small and Medium-sized Entities (SLFRs for SMEs) 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 Association'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 intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Association 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 Association.

#### **1.4 Auditor's Responsibilities for the Audit of the Financial Statements**

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My responsibility is to conduct an audit of the Association's financial statements in accordance with Sri Lanka Auditing Standards and to issue an auditor's report. However because of the matters described in the Basis for Disclaimer of Opinion section, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

#### **1.5 Financial Statements**

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##### **1.5.1 Accounting Deficiencies**

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<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
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<p>(a) As a result of failure to bank the direct revenue received for the allocation of the stadium in the year under review amounting to Rs.127,100 by the former Administrative Executive Officer of the Association, although the amount to be received from that officer is inaccurately stated in the financial statements, actions had not been taken to make the provisions or to disclose this amount remained in financial statements at uncertain condition to be recovered.</p>	<p>It is expected to take a decision on this matter at the Annual General Meeting of the Badminton Association.</p>	<p>Actions should be taken to make the provisions or to disclose this value remained in financial statements at uncertain condition to be recovered .</p>
<p>(b) As a result of a sum of Rs.73,800 which had been incurred to purchase 08 cameras with the Association's security camera system of the year under review, the non-current assets and shortages had been understated by that that amount.</p>	<p>It has been taken notes to correct.</p>	<p>The expenditure incurred on purchase of security cameras should be brought to accounts under non-current assets.</p>

## 1.5.2 Documentary Evidence not made available for Audit

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Subject	Amount	Lack of Evidence	Comments of the Management	Recommendation
	Rs.			
Property plant and equipment	3,372,170	Physical Verification Records and updated Register of Fixed Asset.	It is expected to have a physical verification for fixed assets by the end of 2020.	Sufficient and appropriate audit evidence should be submitted in respect of property, plant and equipment.

## 2. Financial Review

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### 2.1 Financial Results

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The financial result of the year under review was a deficit of Rs. 9,473,197 and the corresponding deficit of the preceding year was Rs. 123,470. Accordingly, a deterioration of Rs. 9,349,727 was observed in the financial results. Increase in operational expenses by Rs. 10,416,168 had mainly attributed to this deterioration.

## 3. Accountability and Good Governance

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### 3.1 Corporate Plan

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Audit Observation	Comments of the Management	Recommendation
Even though a sum of Rs.500,000 had been given to the Association by the Department of Sports Development in the year 2018 for the preparation of a Corporate Plan, the Association had not prepared a Corporate Plan.	This matter is relevant to the previous administration of Sri Lanka Badminton.	A Corporate Plan should be prepared to show the future direction of the Association.

### 3.2 Annual Action Plan

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
Although an Annual Action Plan for the following year should be prepared and submitted to the Director General three months before the commencement of the year in accordance with Regulation 7 (XII) of the National Sports Association No. 01 of 2016, it had not been acted accordingly for the year 2019 .	Since the new administration of Sri Lanka Badminton has been elected in July 2019, this observation is relevant to previous administration.	An Annual Action Plan should be prepared as prescribed in the Regulations of National Sports Associations.

### 3.3 Internal Audit

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
There was an income of Rs. 51 million and an expenditure of Rs. 61 million for the Association during the year under review and the total of entire assets was Rs. 4 million as at 31 December 2019 . However, the Board of Directors of the Association had not drawn attention to the implementation of an Internal Audit on the activities of the Association.	A private auditing firm acts as the external auditors of our Association and it is our belief that the things more than the internal audit are being achieved from external auditing firm .	An internal audit should be conducted in respect of the transactions of the Association.

### 3.4 Budgetary Control

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
Even though a Budget Estimate should be prepared before the commencement of each financial year for effective financial control, the Association had not prepared a Budget Estimate for the year under review.	Since the new administration of Sri Lanka Badminton was elected in July 2019, this observation is relevant to previous administration.	A Budget should be accurately prepared and used as an effective control tool.