

Sri Lanka Badminton Association - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Badminton Association for the year ended 31 December 2020 comprising the balance sheet as at 31 December 2020 and the statement of income and expenditure, statement of accumulated changes in 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.

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 association as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards for Small and Medium - sized Entities (SLFRS for SMEs).

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 Accounting Standards for Small and Medium-sized Entities (SLFRS for SMEs), 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 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 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 the association's financial reporting process.

As per Sub 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 Audit Scope

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 association'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 association has complied with applicable written law, or other general or special directions issued by the governing body of the association ;
- Whether the association has performed according to its powers, functions and duties,
- Whether the resources of the association had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Accounting Deficiencies

Audit Observation	Management Comment	Recommendation
(a) Due to sponsorship income of Rs. 774,000 was deducted from the national tournament expenses and the remaining amount of Rs. 637,000 was indicated as tournament expenses in the financial statements in the year under review, sponsorship income and tournament expenses were understated in the financial statements by Rs. 774,000 each.	A net expenditure of Rs. 637,000 has been accounted for after deducting the discount of Rs. 774,000 included in the invoice of Rs. 1,411,000. This price discount is a negotiated price and not a sponsorship.	Should be accurately accounted the sponsorship income received by the association.
(b) Although the value of building repair and maintenance account in the balance sheet and general ledger is Rs. 2,646,953, this figure was indicated as Rs. 3,356,953 under administrative expenses in the comprehensive income statement. Accordingly, this expense was overstated by Rs. 710,000 in the financial statements.	Building and maintenance expenditure is Rs. 2,646,953.00. However, the expenses of sanitary expenditure of Rs. 538,517.07, Sri Lanka Badminton Association office expenses at Maitland place of Rs. 138,983 and new badminton association premises opening expenses of Rs. 32,500 have been included under building and	Should be prepared financial statements in correctly.

maintenance expenses of the year. However, these expenses will be indicated separately under office expenses in the 2021 accounts.

1.6 Receivable and Payable Accounts

1.6.1 Receivable

Audit Observation	Management Comment	Recommendation
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It was observed that 06 accounts receivable amounting to Rs. 4,332,620 included in the current assets of the statement of financial position of the year 2020 have not been recovered by 31 December 2021.	These receivable balances were cut off in the year 2021 following the general assembly in February 2021. Several reminders have been sent to the Ministry for reimbursement for the amount of Rs. 3,687,335 receivable from the Ministry of Sports on behalf of the former national coach.	Take action to collect the receivable money without delay.

1.6.2 Payable

Audit Observation	Management Comment	Recommendation
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The association had not arranged to refund the flight tickets and subsistence allowances of Rs. 1,200,000 spent by the former president of the association in the year 2019 for the participation of 04 players in international sport competitions to the former president. This amount should be reimbursed by the Institute of Badminton Asia, but it was not reimbursed by that institute.	This amount is expected to be reimbursement from the Asian Badminton Institute within a short period of time.	The expenses payable by the association should be settled without delay.

1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules, Regulations etc.	Non-compliance	Management Comment	Recommendation
Section (b) of Chapter 10 of the Sri Lanka Badminton Constitution	Although executive committee meetings should be held once a month, executive committee meetings were not held for 06 months in the year 2020.	Several meetings were not held due to the Covid-19 situation.	Executive committee meetings should be held as per statutory requirements.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a excess of Rs. 6,662,097 and the againsting deficit in the preceding year amounted to Rs. 9,473,197. Therefore an improvement amounting to Rs. 16,135,294 of the financial result was observed. The reason for the deterioration was the increasing of income by Rs. 14,536,430.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
Rs. 32,642,424 sponsorship income was given to the Sri Lanka Badminton Association by a private company during the year under review and agreements were not reached between the association and the sponsoring institute regarding the amount of sponsorship advertisements to be advertised in order to receive the sponsorship money.	The Sri Lanka Badminton Association has no existing agreement with sponsors. However, Sri Lanka Badminton Association requires valid sponsors.	As the facilities to be provided to the association and the facilities provided by the association should be properly entered into agreements with the sponsoring organization.

3.2 Operational Inefficiencies

Audit Observation	Management Comment	Recommendation
06 coaches were recruited for the period of 06 months by the association and service period had been extended from 04 months of 05 coaches out of that. Remaining two coaches had been recruited for a period of 05 months. Rs. 2,931,602 was paid as allowances for these trainers in the year 2020. It was observed that no specific method was followed in the recruitment of these coaches and training staff and association had not been implemented a method for performance appraisal of recruited coaches.	The Sri Lanka Badminton Association has a procedure to monitor the performance, attendance and training effectiveness of coaches on a monthly basis. This evaluation is conducted by the Chairman of the National Reserve Training Committee and the monthly salary is issued after his approval.	Implement a documented system for recruiting coaches and training staff and evaluating the performance of the recruited coaches.

3.3 Procurement Management

Audit Observation	Management Comment	Recommendation
Although the government standard procurement procedures should be followed as per section iii part 7 xxi of the National Sports Association Order No. 01 of 2016, government procurement guidelines were not followed for procurement works amounting to Rs. 4,300,953 in 04 cases.	Many quotes have been received according to the list. We will make sure to do this better in future.	The procurement plan should be prepared according to the government procurement guidelines.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation	Management Comment	Recommendation
An annual action plan had not been prepared and submitted to the Director General of the Sports Development Department before three months of the beginning of financial year in accordance with part III Section 7 xii of the National Sports Association Order No. 01 of 2016.	The action plan is implemented through the budgetary control process.	An annual action plan should be prepared as per the directives of National Sports Associations.

4.2 Budget Control

Audit Observation -----	Management Comment -----	Recommendation -----
Although a budget should be prepared before the commencement of each financial year for effective financial control, the association had not been prepared a budget for the year under review.	The budget for 2020 was prepared and it was basis for measuring the actual performance of the association.	A budget for the year under review should be prepared and approved by the governing body before the commencement of the year.