

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Badminton Association (“the Association”) for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of comprehensive income, statement of changes in equity 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 2022 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standard for Small and Medium – sized Entities. (SLFRS for SMEs).

1.2 Basis for Qualified Opinion

My opinion is qualified 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 Scope of Audit 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 misstatements 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 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 Scope of Audit

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 it 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 Judgement 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 Association's 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 Association 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 audit also had 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 Association, 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, and
- 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 Audit Observation on the Preparation of Financial Statements

1.5.1 Non Compliance with SLFRS for SMEs

Non Compliance with the reference to particular Standard	Management Comment	Recommendation
According to the paragraph 17.19 of Sri Lanka Accounting Standard for Small and Medium – sized Entities. (SLFRS for SMEs), estimated useful life time of the fully depreciated computers and equipment valued at Rs.93,200 as at 31 December 2022 had not been reviewed and accounted for changes in useful life in accordance with 10.15 and 10.18.	There is no market value as these are old and obsolete items although in use. As such it is not meeting the requirement to revalue the assets.	Action should be taken to reassess the useful lives of the assets which are being used by the Association.

1.5.2 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
(a)The expenditure of Rs.490,751 incurred for 08 categories of expenditure of the previous years was accounted as expenditure in the year under review without being adjusted as prior year adjustment.	Accepted.	Expenditure should be accounted accurately on a periodised basis.
(b)The amount of depreciation was understated by Rs.29,981 while the accumulated depreciation was overstated by Rs.135,198 due to errors in depreciation calculation.	Accepted.	Depreciation should be accurately computed and accounted.
(c)The building and Indoor Stadium at Maitland Place that provided to the Association for the use of operation by the Line Ministry	The Sri Lanka Badminton head office facility is not belonging to the Sri Lanka Badminton. Hence it is not accounted in	Action should be taken to valued and disclosed this assessment in the financial statements.

were not disclosed in the financial statements.
financial statements.

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| <p>(d) Association had paid Rs.150,800 in excess on building repairs during the year under review. As a result, building repairs expenses had been overstated by Rs.150,800 and receivable had been understated by the same amount in the financial statements.</p> | <p>This is rectified and overpayment was recovered in 13 September 2023.</p> | <p>Action should be taken to strength the internal control to avoid these kind of payments</p> |
| <p>(e) A sum of Rs.501,500 received from the tournament expected to be held in 2023 had been shown as local tournament income of the year under review. Therefore, deficit of the year had been understated by that amount.</p> | <p>The receipt of money and accounting were occurred during the tournament period.</p> | <p>Income should be accounted on accrual basis.</p> |

1.6. Accounts Receivable and Payable

1.6.1. Receivables

Audit Issue	Management Comment	Recommendation
<p>The amount of Rs.3,687,335 due from the Ministry of Sports over 03 years included in the accounts receivable of the statement of financial position of the year 2022 had not been recovered. Further, the grant of Rs.250,000 received for a long period ago from the Line Ministry was shown under equity of the statement of financial position without being cleared appropriately.</p>	<p>This cannot be set-off against receivable from the Ministry of Sports.</p>	<p>Prompt action should be taken to recover the outstanding without further delay.</p>

1.6.2. Payables

Audit Issue	Comment of the Management	Recommendation
<p>A sum of Rs.1,200,000, which should be settled to the former President of the Association by reimbursing the money due from an International Association for the participation of four players of the Association in International Sports</p>	<p>The previous management failed to initiate recovery since the recoverability period lapse.</p>	<p>Action should be taken to settled the due amount.</p>

competitions, had not been settled since the year 2019.

2. Financial Review

2.1 Financial Results

The operating result of the year under review was a deficit of Rs.6,927,040 and the corresponding deficit in the preceding year amounted to Rs.375,266 Accordingly, a further deterioration amounting to Rs.6,551,774 of the financial result was observed. The reason for the deterioration was mainly, due to the increase in training and committee expenditure by Rs.22,393,823

3. Operational Review

3.1 Management Inefficiencies

Audit Issue	Comment of the Management	Recommendation
Petty cash balance of Rs.49,999 had remained in the cash and cash equivalent for over 05 years without being identified and cleared the account.	All advances are accounted in the financial system and subject to monthly review.	Action should be taken to identify and clear the balances.

4. Accountability and Good Governance

4.1 Action Plan

Audit Issue	Comment of the Management	Recommendation
An annual action plan had not been prepared and submitted to the Director General of the Sports Development Department three months prior to the commencement of the financial year in accordance with paragraph 7 xii of Part III of the National Sports Association Orders No. 01 of 2016.	We have already sent the strategic plan through email on 08 th August 2023.	Action Plan should be prepared before the commencing of financial year.