

Sri Lanka Badminton Association - 2023

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 2023 comprising the statement of financial position as at 31 December 2023 and the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and notes to the financial statements, including material accounting policy 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 provisions of the National Audit Act No. 19 of 2018 and Section 21A of the Sports (Amendment) Act No.47 of 1993. 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 2023 and of 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 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 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 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 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 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 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 Audit Observations over the preparation of Financial Statements.

Audit Issue	Management Comment	Recommendation
(a) The fair value of the head office building and indoor stadium of the Association constructed by then Ministry of Local Government, Housing and Constructions during the year 1982 had not been determined and brought to the financial statements even as at 31 December 2023. Further, the ownership of this building too had not been acquired from the respective parties by the Association even up to 30 September 2023.	The ownership of these assets remains with the Ministry. As such, these assets are not capitalized in the financial statements of Sri Lanka Badminton.	Necessary arrangements should be made to value and brought these assets to the Financial Statements.
(b) The Executive Committee of the Association had decided on 24 May 2024 to write-off an amount of Rs.4,185,893 receivable from the Ministry of Sports and Youth Affairs which outstanding since the year 2020 and this amount represents 63 percent of total receivable as at 31 December 2023. Hence, there was a material uncertainty on the recoverability and reliability of this accounts receivable as at the reporting date.	It was proposed and approved at the Annual General meeting to written off this amount from the Accounts.	The adequate provision should be made in the accounts with regard to unrecoverable accounts receivables.

1.6 Accounts Receivable and Payable

1.6.1 Payable

Audit Issue	Management Comment	Recommendation
An amount of Rs.1, 200,000 payable to then president of the Association had not been settled even by the date of this report.	It was decided to write back these balances as per the decision taken at the Annual General Meeting.	Prompt action should be taken to clear the payables.

1.7 Non-compliance with Laws, Rules and Regulations

Reference to Laws Rules and Regulations	Non-compliance	Management comment	Recommendation
(a) National Associations of Sports Regulations published in Extraordinary Gazette No. 1990/23 dated 27 October 2016.			
(i) Paragraph (xi) of Part III	A Corporate Plan for a period of ten years including the current international ranking, expected target within time period and the strategies to increase the level of performance had not been prepared.	Five years plan will be approved before 30 November 2024.	A Corporate Plan should be prepared and submitted.
(ii) Paragraph (xii) of Part III	An Action Plan that should be submitted to the Director General of Sports 03 months before the end of the current year had not been submitted	No Comments	- Do -.
(b) Section 16 of Part II of the Employees' Provident Fund Act, No. 15 of 1958 and Employees' Trust Fund Act, No.46 of 1980	A surcharge of Rs.256,220 had been imposed by the Employees Provident Fund (EPF) and Employees Trust Fund (ETF) due non-remittance of the related	The surcharge of Rs.256,220 was paid for the delayed remittance of EPF and ETF.	EPF and ETF should be remitted to the respective funds in timely manner in order to avoid the surcharges.

contributions to the
respective funds during
the year under review.

2. Financial Review
2.1 Financial Results

The operating results of the Association for the year under review amounted to a deficits of Rs.2,561,359 and the corresponding deficits in the preceding year amounted to Rs.6,927,040. Therefore an improvement amounting to Rs.4,365,681 in the financial results was observed. The reason for the improvement is increase the direct income by Rs.15,154,576 as compared to the previous year.