

## **Sri Lanka Tennis Association - 2023**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Sri Lanka Tennis 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 income and expenditure, statement of accumulated fund, and cash flow statement 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 21 A of Sports Law, No 25 of 1973 as amended by section 9 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 (SLFRS/LKAS.)

#### **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 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 (SLFRS/LKAS.) 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 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 (Auditor's Responsibilities for the Audit of the Financial Statements)**

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 skepticism 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 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 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;
- 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 Observations on the preparation of Financial Statements**

### **1.5.1 Non-Compliance with Sri Lanka Accounting Standards**

<b>Non Compliance with the reference to particular Standard</b>	<b>Management Comment</b>	<b>Recommendation</b>
According to the LKAS 07 - "Cash Flow Statements," an investment normally qualifies as a cash equivalent only when it has a short maturity of three month or less from the date of acquisition. However, the Association had shown three fixed deposits aggregating Rs.3, 000,000 as cash and cash equivalent which have 01 year maturity period. Therefore, the cash and cash equivalent had been overstated and shortterm investment had been understated by that amount.	Agreed	The Association should comply with the Sri Lanka Accounting Standards

### **1.5.2 Accounting Deficiencies**

<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a) According to the financial statements of the Association, rent payable to the Colombo Municipal Council (CMC) on behalf of the leased out land with an extent of 04 Acres, 01 Root and 29.8 Perches was Rs.26, 325,000. Whereas, it was shown in the audited financial statements of the CMC as at 31 December 2023 was Rs.43, 726,967. Hence, a sum of Rs. 17,401,967 had been omitted from the financial statements.	This amount was not accounted in financial statement as there was no agreement between CMC and SLTA and the amount payable to CMC was in dispute.	The outstanding rent should be paid promptly and the lease agreement should be updated.

(b)	According to the interest income computation made by audit, the actual interest income on three fixed deposits for the year under review was Rs.146,767. However, the Association had not included this amount in the financial statements. Therefore, the interest income for the year under review had been understated by that amount.	This unrecognized interest income will recognize in year 2024.	The correct interest income for the year should be accounted for.
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## 1.6 Accounts Receivable and Payable

### 1.6.1 Payables

Audit Issue	Management Comment	Recommendation
The accrued expenses balance as at 31 December 2023 was Rs. 34,183,574. Out of that a sum of Rs.8, 185,483 and Rs. 62,000 were remained unsettled between 2-5 years and over 5 years respectively. However, effective actions had not been taken to clear the outstanding balance even as at the end of the year under review.	Agreed	Necessary actions should be taken by the Association to clear the long term payables.

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

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
National Associations of Sports Regulations No. 1 of 2016 published in Extraordinary Gazette No.1990/23 dated 27 October 2016.			
(a) Paragraph 3(1)and (ii) of Part II	A corporate plan for the forthcoming ten years period including the current level of international ranking, expected target within time period and the strategies to increase the level of performance had not been submitted to the Director General of Sports Development for the approval.	Agreed	The Association should comply with the Sports Regulations.

(b) Paragraph 7(xii) of Part III	The Annual Action Plan for succeeding year had not been submitted to the Director General of Sport Development three months prior to the expiry of current year.	Agreed	The Association should comply with the Sports Regulations.
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## 1.8 Non -compliance with Tax Regulations

Audit Issue	Management Comment	Recommendation
Value Added Tax, Nation Building Tax and Withholding Tax payables aggregating to Rs. 908,892 had remained over 5 years without being remitted to the Commissioner of Inland Revenue even as at 30 April 2025.	These balances are arising in the before year 2012. we shall remit the payment to the Commissioner of Inland Revenue.	The Association should comply with the statutory requirements.

## 2. Financial Review

### 2.1 Financial Results

The operating result of the Association for the year under review amounted to a surplus of Rs. 2,175,832 and the corresponding surplus in the preceding year amounted to Rs 12,932,497. Therefore, a deterioration amounting to Rs.10,756,665 in the financial result were observed. The reasons for the deterioration are decrease of wheel chair programme income and increase of administration and other operating expenses by Rs.3,908,680 and Rs.11,821,595 respectively with compared to the previous year .

## 3. Operational Review

### 3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
The properties belonging to the Association had been rented out to the various parties during the previous years. However, outstanding lease rental amounting to Rs.9,080,298 and electricity reimbursement amounting to Rs. 1,138,854 had not been recovered from the lessees and remained outstanding over 2 to 5 years as at 31 December 2023. Further, no agreements had been made with lessees with regard to these rented out properties. Therefore, the legal action against the lessees could not be executed with regard to outstanding balances.	The committee decided to enter into a written agreement with the SLTA Playing Section to avoid this situation after receiving the Lease Agreement from CMC.	Proper mechanism should be introduced and followed by the Association with regard to leasing of the premises.

### 3.2 Operational Inefficiencies

	<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a)	The Association had not developed the fourteen (14) tennis courts valued at Rs.21, 499,508 to meet the standard of the International Tennis Federation (ITF).	Comments not received	Tennis courts should be developed in accordance with international criteria and standards.
(b)	A formal data base system had not been established to provide the necessary information for the advancement of tennis at the provincial, district and regional levels. Therefore it was adversely affect to the advancement of Tennis in Sri Lanka.	Comments not received	A formal data base system should be established for the advancement of tennis sport in Sri Lanka.

## 4. Accountability and Good Governance

### 4.1 Submission of Financial Statements

	<b>Audit Issue</b>	<b>Management Comment</b>	<b>Recommendation</b>
	According to Paragraph 7(xiii) of Part III of the National Associations of Sports Regulations No.1 of 2016, the certified financial statements are required to be submitted to the Auditor General within the two months after the end of each financial year. However, the Association had submitted its Annual Financial Statements for the year ended 31 December 2023 to the Auditor General only on 24 October 2024, after delaying 08 months.	Agreed	The Association should comply with the Sports Regulations.