

Sri Lanka Tennis Association - 2022

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 2022 comprising the statement of financial position as at 31 December 2022 and the statement of income and expenditure, accumulated fund statement 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 Standards.

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, 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 misstatements, 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 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 Observations on the preparation of Financial Statements

1.5.1 Non-Compliance with Sri Lanka Accounting Standards

Non-Compliance with the reference to particular Standard	Management Comment	Recommendation
<p>According to section 51 of the Sri Lanka Accounting Standard No.16, the residual value and the useful life of asset shall be reviewed at least at the end of each financial year and if the previous estimate is different from the expected estimate that change shall be adjusted under the Sri Lanka Accounting Standard No.08 related to Accounting Policies Changes in Accounting Estimates and Errors. However, the above accounting standard had not applied for the items with a total cost of Rs.35,116,887 with Property, Plant and Equipment which had been fully depreciated as of 01 January 2022.</p>	<p>We take the necessary actions to comply with the SLAS and as these assets have been fully depreciated and carried forward an amount of Rs.1 each individual asset in the financial statements from 2023 onwards.</p>	<p>Actions should be taken to adhere to Sri Lanka Accounting Standards.</p>

1.5.2 Accounting Deficiencies

Audit Issue	Management Comment	Recommendation
<p>(a) Even though, according to the letter sent on 10 April 2023, to the President by the Tennis Association, the amount of the lease rental payable to the Colombo Municipal Council was Rs.39,195,143, and it had been shown as Rs.18,975,000 in the financial statements. Therefore, the liabilities had been understated by Rs.20,220,143 in the financial statements,</p>	<p>This amount was not accounted in financial statement as there was no agreement between Colombo Municipal Council and Sri Lanka Tennis Association, and the amount payable to Colombo Municipal Council was in</p>	<p>The correct payable balances should be shown under liabilities.</p>

while overstating the surplus for the year under review by similar amounts. dispute.

(b)The provision for audit fees had not been made for the year under review. The finance committee decided to provide audit fees for 2022. Provisions for audit fees should be made in the financial statements.

1.5.3 Documentary Evidences not made available for Audit

Item	Amount RS.	Evidence not made available	Management Comment	Recommendation
Lease rent receivable.	6,440,328	Relevant agreements entered in to with parties.	The committee decided to enter into a written agreement with Sri Lanka Tennis Association's playing section to avoid this situation.	Prompt actions should be taken to prepare the agreements for lease rent with Colombo Municipal Council.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Issue	Management Comment	Recommendation
Actions had not been taken to recover Rs.3,132,229 worth receivables which had been shown under current assets for over 01 year.	An age analysis for Rs. 16,384,685 receivable balances is submitted to audit.	Prompt action should be taken to recover the receivable balances for over 01 year.

1.6.2 Payables

Audit Issue	Management Comment	Recommendation
Actions had not been taken to settle statutory payments of Rs.922,791 which had been shown under current liabilities for over 01 year.	An age analysis for Rs. 3,412,829 payable balances are submitted to audit.	Prompt action should be taken to settle the payable balances for over 01 year.

1.7 Non-Compliance With Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules, Regulations etc.	Non - Compliance	Management Comment	Recommendation
Paragraph 7 (xi) and 7 (xii) of part (iii) of the National Sports Act No. 01 of 2016.	The Action Plan and the Corporate plan, with the approval of the of the Governing Council had not been submitted to Audit.	We will take necessary actions to prepare the Composite plan and the Action plan in next year.	Prompt actions should be taken to prepare the Corporate plan and the Action plan before commencing the financial year.

2. Financial Review

2.1 Financial Results

The operating results of the year under review amounted to a surplus of Rs.12,932,497 and the corresponding deficit in the preceding year amounted to Rs.7,719,323. Therefore, an improvement amounting to Rs.20,651,820 in the financial results were observed. The main reason attributed for this improvement is increase of income by Rs.95,000,762 as against the increase of expenditure by Rs.74,682,295.

3. Operational Review

3.1 Management Inefficiencies

Audit issue	Management Comment	Recommendation
A total amount of fixed assets amounting to Rs.31,287,542, which had been brought forward from the year 2012 had not been updated item wise in the fixed assets register, and also the Association had not conducted the Board of Survey for the year under review.	The Sri Lanka Tennis Association did not maintain a fixed asset register until 2012. We will take necessary actions to carry out the fixed asset verification in this year.	Action should be taken to update the fixed asset register and to carry out the annual Board of survey.