

Football Federation of Sri Lanka (FFSL) - 2016

The audit of financial statements of the Football Federation of Sri Lanka for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and the statement of comprehensive income, statement of changes in funds and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 9 of the Sports (Amendment) Act, No. 47 of 1993. My observations on the operations of the Federation for the year under review which I consider should be presented to Parliament in terms of Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka, appear in this report.

1.2 Executive Committee's Responsibility for the Financial Statements

Executive Committee is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards for Small and Medium sized Entities (SLFRS for SMEs) and for such internal control as the Executive Committee determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with Sri Lanka Auditing Standards.

1.4 Basis for Disclaimer of Opinion

As a result of the matters described in paragraph 2.2 of this report, I am unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded items, and the elements making up the statement of financial position, comprehensive income statement, statement of changes in funds and cash flow statement.

2. Financial Statements

2.1 Disclaimer of Opinion

Because of the significance of the matters described in paragraph 2.2 of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Accounting Standards for Small and Medium sized Entities

A retirement benefit obligation amounting to Rs.5,130,250 based on half month's salary for each year from the reporting date for the staff of the Federation had been brought to account. However, according to Section 28.15 of the Standard in respect of employees' benefits, the present value of the liability of retirement benefit obligation had not been identified.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) On the Memorandum of Understanding entered into with Local Authorities, the value of constructions made to carry out by local and foreign contractors directly by the International Football Federation for development activities of playgrounds belonging to Local Authorities, used by the Federation had been erroneously brought to account under leased assets. Moreover, a sum of Rs.146,285,797 thereon had been shown under Non-current liabilities as at the date of the balance sheet as a deferred revenue liability. A sum of Rs.8,291,439 out of this revenue liability, had been taken into the income of the year under review and as such, the income of the year under review had been overstated by that amount.
- (b) Depreciation for fixed assets for the year under review had been understated by Rs.3,400,664 in the financial statements due to errors in computation.
- (c) Out of the balance of cash and cash equivalents amounting to Rs.17,507,848 as at 31 December of the year under review, an overdraft balance of Rs.730,837 remained in a current account had been understated. As such, current assets and current liabilities had been understated by those amounts in the financial statements.

2.2.3 Financial Irregularities

Further investigations by the Criminal Investigations Department remain in respect of the fake payment of Rs.25,110,538 made indicating as for the judges of matches and in respect of a financial misappropriation for transfers of Rs.20,295,000 between current accounts and payment vouchers, transfer orders, journal entries and schedules relating to those transactions had not been made available to audit.

2.2.4 Unreconciled Control Accounts

In the comparison of balances according to the financial statements presented as at 31 December of the year under review with the balances of relevant ledger accounts relating to the following Items of Accounts, a difference totalling Rs.19,166,933 had been observed.

Account	Balance as per Financial Statements	Balance as per Ledger	Difference
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	Rs.	Rs.	Rs.
(i) Stocks Account	153,850	1,345,374	1,191,524
(ii) <u>Savings Account</u> Account Number 11502007828	1,427,837	7,113,048	5,685,211
<u>Current Accounts</u>			
(iii) Account Number 01-1033468-02	2,993,420	5,793,120	2,799,700
(iv) Account Number 115010057027 Overdraft	730,837	5,130,237	4,399,400
(v) Account Number 115010018929	325,600	4,588,305	4,262,705
(vi) Cash in hand	140,000	968,393	828,393
Total	<u>5,771,544</u>	<u>24,938,477</u>	<u>19,166,933</u>

2.2.5 Lack of Evidence for Audit

Evidence indicated against the following Items of Accounts had not been made available to Audit and as such they could not be satisfactorily vouched or accepted in Audit.

Item of Account	Value	Evidence not made available
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	Rs.	
(i) Fixed Assets	240,645,120	Physical verification reports
(ii) Repayable deposits	1,203,403	Register of Deposits
(iii) Receivable sponsorship fees and grants	17,170,577	} Detailed Schedules
(iv) Other loans receivable	1,000,000	
(v) Deferred Revenue	146,285,797	
(vi) Retained Funds	4,582,669	

2.3 Non-compliance with Laws, Rules, Regulations and Management Decisions

In terms of Financial Regulation 757 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka, the Federation had not conducted an Annual Board of Survey for the year 2016.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result from operations of the Federation for the year ended 31 December 2016 had been a surplus of Rs.22,454,656 as compared with the corresponding surplus of Rs.30,696,804 for the preceding year, thus indicating a deterioration of Rs.8,242,148 in the financial result for the year under review as compared with the preceding year. Even though the expenditure on operations had decreased by Rs.35,269,589, the decrease in receipt of funds from the international Football Association by Rs.43,757,618 had mainly attributed to the above deterioration.

4. Operating Review

4.1 Management Activities

The advances granted to the organizers of the match as at 31 December 2016 by the Federation including the advance of Rs.859,708 granted prior to the year 2013, totalled Rs.1,664,137. Advances had not been settled after the completion of the specific purpose and the maximum advance to be granted had not been decided and a register for advances had not been maintained as well.

4.2 Staff Administration

Even though an organizational structure for the Federation and accordingly, an approved cadre should exist, an approved cadre and an organizational structure had not existed since the inception of the Federation.

5. Accountability and Good Governance

5.1 Action Plan

In terms of Section 5.2 of Public Finance Circular No.01/2014 of 17 February 2014, an Action Plan had not been prepared.

5.2 Budgetary Control

In terms of Section 5.2.3 of Public Enterprises Circular No. PED/12 of 02 June 2003, a budget should be prepared before the commencement of each financial year for an effective financial control. Nevertheless, the Federation had not prepared a budget for the year under review.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the President of the Federation from time to time. Special attention is needed in respect of the following areas of control.

Areas of Systems and Control	Observations
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(a) Payment of Advances	Failure in control and supervision of advances
(b) Fixed Assets Management	Failure in maintaining a Register of Fixed Assets and conducting a survey on fixed assets
(c) Financial Control	(i) Carrying out money transfers between current accounts without control (ii) Obtaining overdrafts despite the availability of favourable balances in the accounts (iii) Non-preparation of Bank Reconciliation Statements