

## **Sri Lanka Football Federation - 2018**

---

### **1.1 Disclaimer of Opinion**

---

The audit of financial statements of the Sri Lanka Football Federation for the year ended 31 December 2018, comprising the Statement of Financial Position as at 31 December 2018 and the statement of Comprehensive Income, Statement of Changes of Accumulated Funds 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 presented to Parliament appear in this report.

I do not express an opinion, on the accompanying financial statements of the Federation. Because of the significant of the matters discussed in the Basis for Disclaimer of Opinion section of my report. I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### **1.2 Basis for Disclaimer of Opinion**

---

My opinion is disclaimed 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.

### **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 Scale Enterprises and for such internal control as management determines 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 Federation'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 Federation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Federation's financial reporting process.

As per Sub-section 16 (1) of the National Audit Act, No. 19 of 2018, the Federation 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 Federation.

#### 1.4 Auditor's Responsibilities for the Audit of the Financial Statements

---

My responsibility is to conduct an audit of the Federation's financial statements in accordance with Sri Lanka Auditing Standards and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section, I was not able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

#### 1.5 Financial Statements

---

##### 1.5.1 Non-compliance with Sri Lanka Accounting Standards for Small and Medium Scale Enterprises

---

Non-compliance with Reference to the relevant Standard	Comments of the Management	Recommendation
(a) Even though, the land and buildings had been acquired at once in terms of Section 8 of Chapter 17 of the Standard those should be brought to account separately. The Federation had accounted the buildings amounting to Rs.71,242,177 but the value of the lands on which situated those buildings had not been shown in the financial statements.	Action will be taken to account accurately in next year.	The financial statements should be presented according to the Sri Lanka Accounting Standards for Small and Medium Scale Enterprises.
(b) As not reviewing the effective live period of non-current assets annually in terms of Section 19 of Chapter 17 of the standard, the machinery and equipment costing Rs.3,120,012 had been fully depreciated but further being utilized. Accordingly, action had not been taken to revise the estimated error in terms of paragraph 18 of Chapter 10.	Action will be taken to correct in the year 2019.	Action should be taken according to the Sri Lanka Accounting Standards for Small and Medium Scale Enterprises.

(c)	Even though, the depreciation of property, plant and equipment which had not been brought to account relating to the preceding years amounting to Rs.6,746,807 had been rectified, it was not disclosed in the Section 23 of paragraph 10 of the Standard.	Accepted. It was not disclosed in the financial statements.	Action should be taken according to the Sri Lanka Accounting Standards for Small and Medium Scale Enterprises.
(d)	The motor van obtained under leasing basis valued at Rs.5,600,000 had not been shown as leasehold assets in terms of Section 13 of Chapter 20 of the Standard and included in the motor vehicles under freehold properties.	The respective assets had not been shown under leasehold assets and stated in the non-current assets.	The leasehold properties should be shown in the financial statements separately in terms of the Standard.
(e)	Even though, the retirement benefits valued at Rs.5,899,457 had been shown in the financial statements as a liability, action had not been taken to identify the current value of the retirement benefit obligation in terms of Section 15 of Chapter 28 of the Standard.	The activities to appoint a qualified valuer to compute the current value of the retirement benefit obligation in the financial year of 2019 had been commenced at present.	Action should be taken to show the retirement benefit obligation payable on the current value in the financial statements.
(f)	Legal expenses amounting to Rs.1,676,966 incurred by the Federation during the year under review had not been disclosed in the financial statements in terms of Section 4 of the Chapter 8 of the Standard.	Action will be taken to rectify in next year.	According to the requirements of the standard this expenditure should be disclosed in the financial statements.

### 1.5.2 Accounting Deficiencies

----- Audit Observation -----	Comments of the Management -----	Recommendation -----
(a) It was revealed in the investigations carried out by the Federation in the year 2017 that the former Finance Manager of the Federation had included fake names as match referees and obtained money. The Department of Criminal Investigation had carried out further	The respective lawsuits are being carried out at present. A sum of Rs.14,525,389 has been shown as the money defrauded in the financial statements of	The amount of fraudulent money should be identified immediately and action should be taken to account correctly and should

investigations relating to this cash fraud but the total money defrauded could not be revealed even in the year under review. Even though this had been pointed out by the Auditor General's Report of the preceding year, a sum of Rs.14,525,389 had been shown under accounts receivable as unidentified cash transfers in the financial statements of the year under review. This position had not been disclosed in the financial statements.

the year 2017.

be disclosed in the accounts.

- |   |  |   |
|---|--|---|
| <p>(b) The value of the constructions made by the contractors of local and foreign directly through the International Football Federation for the development activities of the playgrounds belonging to the local authorities which utilized by the Federation on the agreements of memorandum of Understanding made with the local authorities had been incorrectly brought to the accounts under leasehold assets and a sum of Rs.137,994,358 thereon had been shown as deferred liabilities under non-current liabilities. Even though, it was pointed out in the Auditor General's Reports of 2016 and 2017 in this regard action had not been taken to rectify.</p> | <p>The taking of final decision relating to this had been postponed up to the financial year 2019. Further, action will be taken to ensure this value most correctly in the revaluation of non-current assets.</p> | <p>Action should be taken to account correctly.</p>                         |
| <p>(c) The land on which the Head office situated obtained under a lease amounting to Rs.2,100,200 as at 31 December 2018 and leasehold Sports Complex of Jaffna amounting to Rs.5,306,765 had not been amortized from the year 2015 and the year 2011 respectively.</p>  | <p>The revaluation of non-current assets was due to be carried out in the year 2019 and the attention will be paid in this regard simultaneously to the above.</p>   | <p>The leasehold assets should be amortized.</p>                            |
| <p>(d) Three sports complexes in Gampaha, Norwood, and Ampara areas obtained on the lease basis for a period of 30 years had not been shown under leasehold assets in the statement of financial position.</p>  | <p>The revaluation of non-current assets was due to be carried out in the year 2019 and the attention will be paid in this regard simultaneously to the above.</p>   | <p>Action should be taken to value the leasehold assets and to account.</p> |

- |  |  |   |
|--|--|---|
| (e) Three balances of payments in advance amounting to Rs.724,201 remained brought forward from the year 2016 had been shown as accounts receivable without being settled. | Action will be taken to settle in the year 2019. | Prompt action should be taken to rectify the payments in advance in the accounts. |
|--|--|---|

### 1.5.3 Lack of written Evidence for Audit

---

The following items of accounts could not be satisfactory vouched or accepted in audit as the audit evidence indicated against them were not produced.

Subject	Amount	Evidence not made Available	Comments of the Management	Recommendation
-----	-----	-----	-----	-----
	Rs.			
(a) Other Receivable	1,000,000	} Balance confirmations and age analysis	Action will be taken to correct in future	Adequate and suitable audit evidence relating to the assets liabilities, revenue and expenditure should be furnished
(b) Loans				
(c) Deposits Recoverable	1,278,403			
(d) Trade Creditors	547,505			
(e) Other Creditors	533,464	} Title deeds		
(f) Head Office Building	41,720,741			
(g) Baddegana Building	29,521,436			
(h) Fixed Assets	105,522,883	Physical Verification Reports Detailed Schedules		

## 1.6 Accounts Receivable and Payable

---

### 1.6.1 Accounts Receivable

---

Audit Observation	Comments of the Management	Recommendation
-----	-----	-----
The Federation had not taken action to recover 05 balances amounting to Rs.12,489,521 brought forward from the year 2015.	Action will be taken to rectify in the year 2019.	

## 1.6.2 Accounts Payable

---

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
Two creditors balances amounting to Rs.573,464 remained since the year 2016 and 06 creditors balances amounting to Rs.18,206,454 remained since the year 2017 had been brought forward without being settled.	Action will be taken to rectify in the year 2019.	Prompt action should be taken to settle the payable balances.

## 1.6.3 Advances

---

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
The total of the advances given to the organizers of the tournaments to conduct tournaments and seminars of the Sports by the Federation as at 31 December 2018 including the preceding years amounted to Rs.2,252,067. The Federation had not taken action to get settled the advances after completion of the due activity and also the Federation had not decided to maximum advance amount to be given. Further an Advance Register as well had not been maintained.	The maximum advance amount is changed situationally and to give a specific time period to settle it, is being implemented from the year 2019.	Action should be taken to settle the advance immediately after the completion of the due purpose.

## 2. Financial Review

---

### 2.1 Financial Results

---

The operations of the Federation for the year under review had resulted in a surplus amounting to Rs.5,775,153 as compared with the corresponding surplus of Rs.31,938,592 of the preceding year, thus indicating a deterioration of Rs.26,163,439 in the financial results. The increase of operating expenditure by Rs.76,181,635 had been the main reasons for this deterioration.

## 2.2 Ratio Analysis

---

The current ratio was improved from 2.32 per cent to 2.69 per cent in the year under review as compared with the preceding year. Accordingly, the possibility of settlement of short term liabilities of the Federation was increased as compared with the preceding year.

## 3. Operating Review

---

### 3.1 Procurement Management

---

	<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
	-----	-----	-----
(a)	In terms of Guideline 4.2 of the National Procurement Guidelines No. 08 dated 25 January 2006, a procurement plan and a procurement time frame had not been prepared by the Federation for the year 2018.	Action will be taken to correct in next year.	According to the National Procurement Guidelines a Procurement Plan should be prepared.
(b)	The procurements amounting to Rs.2,725,671 had been made by the Sri Lanka Football Federation during the year under review while the procurement activities had not been made according to the National Procurement Guidelines.	A purchase for procedure for the Football Federation is being carried out at present and action will be taken to act from the year 2020 according to the Procurement Guidelines.	The purchases should be made according to the requirements of the National Procurement Guidelines.