

**1.1 Qualified Opinion**

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The audit of the financial statements of the Football Federation of Sri Lanka (“Federation”) for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 No19 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 Federation as at 31 December 2019, 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**

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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 auditing 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**

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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 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 Section 16(1) of the National Audit Act No. 19 of 2018, 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 Scope of Audit**

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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 Federation'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 Federation'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 Federation 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 Federation and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Federation has complied with applicable written law, or other general or special directions issued by the governing body of the Federation;
- Whether the Federation has performed according to its powers, functions and duties; and
- Whether the resources of the Federation had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## 1.5 Financial Statements

### 1.5.1 Accounting Deficiencies

Audit Observation	Management Comment	Recommendation
<p>(a) Even though the construction works of two football sport centers had been completed as at 31 December 2019, the construction costs of those centers amounting to Rs.15,741,004 had been shown under the work – in – progress. As a result, the value of property, plant and Equipment and annual depreciation thereon had been understated by Rs.15,741,004 and Rs.524,175 respectively in the financial statements as at 31 December 2019.</p>	<p>Action will be taken to rectify in the year 2020.</p>	<p>Values related to completed sports centers should be accounted for under non-current assets.</p>
<p>(b) At the investigations carried out by the Federation in the year 2017, it was revealed that the former finance manager of the federation had obtained money in fraudulent manner by including bogus names of the tournament umpires. The criminal Investigations Department has carried out further</p>	<p>It is hoped to reach a final decision on this with the court decisions given at the end of the relevant proceedings.</p>	<p>The correct value of the amount of Fraudulent money should be stated in financial statements and prompt action should be taken to recover the amount.</p>

Investigations of the fraud and forwarded to the court. The Federation was revealed on August 2020 that the fraudulent amounts was Rs.46,860,672. Only a sum of Rs.16,053,116 had been shown under receivable accounts as unidentified fund transfers in the financial statements of the year under review relating to the fraud. The Federation had not taken action to recover the fraudulent amount of money even up to end of August 2020. Accordingly, it was unable to rectify the recoverability of money in audit.

- (C) The value of the construction works that had been directly carried out by the International Football Federation through the local and foreign constructors in order to develop the sport grounds use by the Federation on MOUS signed with the Local Authorities, had been erroneously accounted as leasing assets. The deferred revenue liabilities of there on, amounting to Rs.137,994,358 had been shown in the financial statements under the on current assets. Even though that had been highlighted in the Auditor General's reports for the years 2016, 2017 and 2018 action had not been taken to rectify the errors.
- Action will be taken to rectify in the year 2020. The correct value of the leasehold assets should be stated in financial statement.
- (d) The Leasehold Sports Complex in Jaffna that had been accounted under the leasehold assets as at 31 December 2019 costing Rs.5,306,765 had not been amortized since the year 2011.
- Action will be taken to rectify in the year 2020. Amortization should be accounted correctly.

**1.5.2 Documentary Evidence not made available for Audit**

<b>Item available</b>	<b>Amount</b>	<b>Evidence not made available</b>	<b>Management Comment</b>	<b>Recommendation</b>
	<b>Rs.</b>			
(i) Accounts Receivable	13,234,765	Confirmations	} Action will be taken to rectify in Future	} Adequate and suitable audit evidence relating to the assets, liabilities revenue and expenditure should be furnished
(ii) Accumulated fund	4,582,669	Detailed Schedules		

**1.6 Accounts Receivable and Payable**

**1.6.1 Advance**

<b>Audit Observation</b>	<b>Management Comment</b>	<b>Recommendation</b>
The total value of the advances given to the organizers of the games as at 31 December 2019 including the preceding years amounting to Rs.1,465,997. Nevertheless, action had not been taken by the federation to surrender the advances. As well, the maximum amount of an advance to be given had not been determined and necessary actions had not been taken with regard to delay the settlement of advances after being completed the desired work.	The maximum advance amount is changed situationally and to give a specific time period to settle it, is being implemented from the year 2020.	Action should be taken to recover the advances immediately after the completion of the due work.

**2. Financial Review**

**2.1 Financial Result**

The operating result of the year under review amounted to a surplus of Rs.205,083,615 and the corresponding surplus in the preceding year amounted to Rs.5,775,154. Therefore, an improvement amounting to Rs.199,308,461 of the financial result was observed. The reason for the improvement is increase the revenue by Rs.283,924,848.

### 3. Operational Review

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#### 3.1 Procurement Management

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<b>Audit Observation</b>	<b>Management Comment</b>	<b>Recommendation</b>
In terms of section 4.2 of Government procurement Guideline of the year 2006, a procurement plan had not been prepared for the year 2019.	Action will be taken to rectify in next year.	Procurement plan should be prepared in terms of Government procurement Guideline.

### 4. Accountability and Good Governance

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#### 4.1 Internal Audit

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<b>Audit Observation</b>	<b>Management Comment</b>	<b>Recommendation</b>
The income of the Federation for the year under review amounted to Rs. 481 million and the expenditure amounted to Rs. 276 million and the value of the assets belonging to the Federation as at end of the year under review totalling Rs. 593 million. However, an internal audit had not been conducted relating to the transaction of the Federation.	Action will be taken to correct in next year.	Internal audit should be carried out relating to the transaction of the Federation.