

**1. Financial Statements**

**1.1 Opinion**

The audit of the financial statements of the Sri Lanka Football Federation (“the Federation”) for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of comprehensive income, statement of changes in 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. My Comments and observations which I consider should be report to parliament appear in this report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Federation as at 31 December 2021 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standard for Small and Medium – sized Entities. (SLFRS for SMEs).

**1.2 Basis for Opinion**

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 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 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 misstatements 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 intend 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, 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 Scope of Audit

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 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 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 audit also had 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 Accounts Receivable and Payable

### 1.5.1. Receivables

Audit Observation	Management Comment	Recommendation
a) An advance amount of Rs.1 million had been given for an internal construction activity to a private constructor firm in 2014 had not been settled.	The new administration of Football Federation of Sri Lanka (FFSL) agrees to put all steps to recover this money or steps of actions in 2023.	Prompt action should be taken to recover the outstanding without further delay.
b) The outstanding balance of Rs.19 million to be recovered from various external parties had remained unrecovered for the period ranging from 01 year to 08 years and such recovery process was in a weak level.	The new administration of Football Federation of Sri Lanka (FFSL) agrees to put all steps to recover this money or steps of actions in 2023.	Prompt action should be taken to recover the outstanding without further delay.

## 1.6 Non Compliance with Laws, Rules & Regulations and Management Decision etc.

Reference to Laws, Rules & Regulations etc.	Non Compliance	Management Comment	Recommendation
a) Section 12 of the Statute of Sri Lanka Football Federation	Even though it had been stated that the finance committee to be prepared suitable financial regulations for the implementation of the policies and all procedures of the Finance Committee; action had not been taken to prepare these financial regulations.	There is no written financial regulations existed at Football Federation of Sri Lanka (FFSL) at the moment.	Financial procedures should be prepared according to the Statute of Sri Lanka Football Federation.

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| b) | Paragraphs xi and xii of part III of the Sports Rules, published in the Extraordinary Gazette No. 1990/23 dated 27 October 2016. | A corporate plan and an action plan had not been prepared by the Federation. | This is noted and accepted. | Corporate And Action Plan should be prepared according to the sports Rules . |
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## 2. Financial Review

### 2.1 Financial Results

The operating result of the Federation for the year under review was a deficit of Rs.197,270,584 and the corresponding surplus in the preceding year amounted to Rs.171,793,730. Therefore a deterioration amounting to Rs.369,064,314 in the financial result was observed. The reason for the deterioration was mainly, due to the increase in operating expenditure by Rs.348,809,719

## 3. Operational Review

### 3.1 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
(a) Even though the Sri Lankan men football team was ranked as 139 <sup>th</sup> position out of 168 countries in 1994, it had gained 140 <sup>th</sup> ranked from 205 countries in 2014 and 207 <sup>th</sup> ranked from 211 countries in 2022 owing to non-preparation of a quantitative program by the Federation for enhancement of football in international level. Furthermore, an adequate attention had not been paid by the Federation for enhancement of school football and no fund had been provided for this purpose in 2021.	Permanent and structural plan like a national policy on football is very important timely to get this correct in future.	Action should be taken to enhance the ranking of football.
(b) A methodology of monthly or quarterly manner had not been formulated to examine the skills and performance of the sportsmen in obtaining the service of the trainers and an evaluation on trainers had also not been carried out. However, an amount of Rs.30 million had been incurred by the Federation in the year under review for the trainers.	Football Federation of Sri Lanka (FFSL) does not have formal performance evaluation process for the foreign coaches.	A methodology should be introduced to examine the performance of the trainers.

**3.2 Procurement Management  
Audit Observation**

	<b>Management comment</b>	<b>recommendation</b>
<p>a) In the event of non-availability of procurement guidelines legally formulated in the national sports associations in accordance with 11 (xxi) in Gazette Notification No.2166/9 issued on 10 March 2020, it should be followed the Government Procurement Guidelines with regard to the award of procurements and tenders. However, action had not been taken by the Federation accordingly.</p>		
<p>b) As per Sections 4.2.1 (a),(b) and (c) of the Government Procurement Guidelines 2006, a master procurement plan for a period of 03 years and a procurement plan should be prepared for the immediately succeeding year. However the Federation had not comply with the guidelines.</p>	<p>Football Federation of Sri Lanka (FFSL) has a set of procurement guidelines, but that has not been approved by the Executive Community yet.</p>	<p>The Federation should follow the Government Procurement Guidelines with regard to the awarding procurement and tenders until the legally formulated procurement guidelines approve.</p>
<p>c) In contrary to the provisions specified in the Supplement No.35 issued in addition to 2.14 of the Government Procurement Guidelines 2006, the procurements worth Rs.101 million had been incurred in 60 occasions either not obtaining at least 3 quotations or obtaining required approvals. Further procurement valued at more than Rs.5 million totalled Rs.85.8 million had been procured without the approval of the Departmental Procurement Committee in 08 occasions.</p>		
<p>d) The renovation work of the head office of the Federation had been carried out by incurring Rs.2.8 million. However, an approved estimate and the bills of quantities (BOQ) for this had not been prepared in terms of Chapter 4 of Government Procurement Guidelines.</p>	<p>Comments had not been received</p>	<p>Actions should be taken to prepare and approve a detailed engineering estimate, before implementing the project.</p>

e) An agreement had been made with a private organization for a live telecast of the tournament between Sri Lanka and Bangladesh. Even though US \$ 10,000 equal to Rs.2 million had been paid for that purpose the procurement in relation to selection of this organization, details on the usage of Sri Lanka for the telecast purposes and approval of the executive committee for selection of this institute had not been submitted to audit.

Finance department of Football Federation of Sri Lanka (FFSL) doesn't have any of the requested documents by the National Audit Office (NAO).

The document should be adequately furnished to audit.