

## **Football Federation of Sri Lanka (FFSL) – 2017**

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The audit of financial statements of the Football Federation of Sri Lanka for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 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 (3) 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 the 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**

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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**

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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 Opinion**

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- (a) Although retirement benefit obligation amounting to Rs.5,530,417 based on half month’s salary for each year from the date of appointment of the staff of the Federation had been brought to account. According to Section 28 of the Standard, the present value of the liability of retirement benefit obligation had not been identified.

- (b) On the Memoranda of Understanding entered into with Local Authorities, the value of constructions directly carry out by local and foreign contractors through the International Football Federation for development activities of playgrounds belonging to Local Authorities, used by the Federation had been erroneously brought to account and shown under Non-current liabilities as at the date of the statement of financial position as a deferred revenue liability. On that ground a sum of Rs.137,994,358 liability, had been taken into the income of the year under review as a deferred revenue under non-current assets. Out of that a sum of Rs.8,291,439 had been taken to income during the year under review and as a result the income of the year had been over stated by that account.
- (c) According to the calculation by the audit depreciation for Fixed Assets for the year under review had been understated by Rs.1,583,526 in the financial statement and depreciation for two lease vehicles costing of Rs.9,900,000 had not been accounted from year 2014 to 2016.
- (d) Lease Liability amounting to Rs.209,251 relating to the year under review had been omitted from accounts.
- (e) A sum of Rs.14,525,389 had been shown under receivable accounts in the financial statement of the year under review as unidentified transfer (Note 5.3) It was revealed that this at a investigation carried out by the Federation as a money taken by the former Finance manager including bogus names as tournament judges. Criminal Investigation department carried out further investigation regarding this fraud, the amount of money taken fraudulently not revealed even up to 30 July 2018, the date of audit. This cash Fraud had been shown as guilty under receivable accounts and it had not been disclosed in the financial statements about the cash fraud.
- (f) Evidence indicated against the following items of accounts had not been made available to Audit and as such it was unable to satisfactorily vouched or accepted in Audit.

<b>Item of Account</b> -----	<b>Value</b> ----- <b>Rs.</b>	<b>Evidence not made Available</b> -----
(i) Accounts Receivable	1,363,696	} Schedules and Confirmation of Balance
(ii) Sponsorship Receivables	15,770,576	
(iii) Other Loan Receivable	1,000,000	} Schedules
(iv) Restricted Fund	4,582,669	
(v) Other Fixed Assets	102,797,212	
(vi) Head Quarters Building	41,720,741	} Title Deed
(vii) Building- Baddagana	29,521,436	
(viii) Motor Vehicles	7,371,100	Certification of Registration and Physical verification Reports
(ix) Lease hold Assets	135,865,740	Lease Agreement, schedules
(x) Deposit-Airtel Lanka Ltd	720,000	} Bills for Deposit and Agreements
(xi) Deposit- Baddagana Gym	150,000	
(xii) Fixed Deposit	1,663,569	Fixed Deposit Certificates
(xiii) Inventories	451,520	Board of Survey Reports
(xiv) Accounts Receivable-Trade	39,663,244	} Age Analysis
(xv) Accounts Payable-Trade	29,269,919	

## **2. Financial Statements** -----

### **2.1 Disclaimer Opinion** -----

Because of the significance of the matters described in paragraph 1.4 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.

### **3. Financial Review**

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#### **3.1 Financial Result**

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According to the financial statements presented, the financial result from operations of the Federation for the year ended 31 December 2017 had been a surplus of Rs.31,938,593 as compared with the corresponding surplus of Rs.22,454,656 for the preceding year, thus indicating an improvement of Rs.9,483,937 in the financial result for the year under review as compared with the preceding year. Though operation income was decreased by a sum Rs.43,655,836 the decrease of operation expenses by a sum of Rs.52,883,384 had been the main reason for the above improvement.

### **4. Accountability and Good Governance**

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#### **4.1 Budgetary Control**

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In term of section 5.2.5 of Public Enterprises Circular No.PED/12 dated 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. Even though auditor general report of the 2016 had been observed this matter. An action had not been taken to correct in the year 2017 .

#### **4.2 Procurement Plan**

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In term of section 4.2 of Public Procurement Guideline 2006, procurement plan had not been prepared by Football Federation for the year 2017.

#### **4.3 Internal Audit**

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Although Internal audit unit should be implemented in term of the Financial Regulation 133 of the Democratic Socialist Republic of Sri Lanka action had not been taken to establish a internal audit unit by Federation.

## 5. System and Controls

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

### Systems and Control

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### Observation

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(a) Budgetary Control

Not having a system of budgetary control that could be utilized to achieve the intended objectives.

(b) Payment of Advances

Advance register had not been maintain and failure in control and supervision of advances.

(c) Fixed Assets Management

Failure in Maintaining a fixed assets register and conducting a survey on fixed assets.

(d) Accounting

In entering Journal entries regular authority had not been obtained for that.