

**1. Financial Statements**

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**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 2020 comprising the statement of financial position as at 31 December 2020 and the statement of comprehensive income, statement of changes in funds and statement of cash flow 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 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 2020, 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**

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 Audit observations on the preparation of Financial Statements

#### 1.5.1 Accounting Deficiencies

| Audit Issue  | Management Comment  | Recommendation                                |
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| (a) In order to develop the sport grounds in the areas of 06 Local Authorities, the Federation had signed MOUs with those Local Authorities in the years 2005 to 2007. The development activities of the grounds had been conducted by the FIFA through the local and foreign contractors incurring a sum of Rs.137,994,358, and that cost had been erroneously accounted for as leasing assets and deferred income of the Federation in the year 2009 without having any legal right to do so. However, This accounting error had not been rectified even up to end of the year under review. | As discussed in the current position of the audit findings for the year 2019 to the COPE, FFSL has appointed a professional consultancy firm “Moore consulting (Pvt) Ltd” on 13 <sup>th</sup> October 2021 to carryout a detailed review on this matter and express a viable solution to rectify the errors. FFSL intends to complete this assignment and accordingly resolve the issue on or before 31 <sup>st</sup> | Action should be taken to rectify the errors. |

December 2021.

## 1.6 Accounts Receivable and Payable

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### 1.6.1 Receivables

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#### Audit Issue

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Action had not been taken to recover six receivable balances aggregating to Rs.11,581,538 which were remained as outstanding for more than five years.

#### Management Comment

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FFSL is undertaking various steps to recover/ settle the long outstanding receivable balances from many stake holders and expecting to conclude the process on or before 31<sup>st</sup> December 2021.

#### Recommendation

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Action should be taken to recover the long outstanding receivable balances

### 1.6.2 Advance

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#### Audit Issue

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The total value of the advances given to the Organizers of the games as at 31 December 2020, including the preceding years amounted to Rs.609,898. 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 unsettled advances even after completing the desired work.

#### Management Comment

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FFSL collecting corroborative evidence and gathering information to resolve this issue.

#### Recommendation

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Action should be taken to recover the advances immediately after the completion of the due work.

## 2. Financial Review

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### 2.1 Financial Result

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The operating result of the year under review amounted to a surplus of Rs.171,793,729 and the corresponding surplus in the preceding year amounted to Rs.205,083,615. Therefore, an deterioration amounting to Rs.33,289,886 of the financial result was observed. The reason for the deterioration is decrease the revenue by Rs.44,458,528.

### 3. Operational Review

#### 3.1 Management Inefficiencies

| <b>Audit Issue</b>  | <b>Management Comment</b>   | <b>Recommendation</b>                                |
|---|---|--|
| <p>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 to the payment documents. According to the forensic audit conducted by private audit firm in this regard the fraud amounted to Rs.48,388,399. However, the Federation had failed to recover the loss even up to end of the November 2021.</p> | <p>As discussed in the current position of the audit finding for the year 2019 to the COPE, former FFSL-president has filed a complaint in CID against the previous Finance Manager to recover the apparent fraudulent money of Rs.48,388,399, on 15<sup>th</sup> September 2020.</p> | <p>Action should be taken to recover the amount.</p> |

#### 3.2 Procurement Management

| <b>Audit Issue</b>   | <b>Management Comment</b>  | <b>Recommendation</b>  |
|--|--|--|
| <p>In terms of section 4.2 of Government procurement Guideline of the year 2006, a procurement plan had not been prepared for the year 2020.</p> | <p>As discussed in the COPE meeting held on 3<sup>rd</sup> August 2021, FFSL is currently developing our own procurement plan. This will be implemented fully in 2022 and till that existing procurement practice will be continued.</p> | <p>Procurement plan should be prepared in terms of Government procurement Guideline.</p> |