WHY SAFA CANNOT GET ITS FINANCES IN ORDER

SAFA's Finances

inside

The True State of SAFA's Finances Revealed

South African football has been plagued with challenges that threaten its reputation and ability to improve the quality of the game. The South African Football Association (SAFA) has struggled to attract sponsors, implement budgetary discipline, and create an effective, nationally coordinated talent identification system that can benefit the professional game as well as the national teams.

Poor Financial Management Hampers Development

For more than a decade, SAFA was hit with one reputational crisis after another. The post-2010 FIFA World Cup bliss came to an abrupt halt in 2012 when a massive crisis engulfed the Association following revelations that some of the friendly matches played by the men's senior national team, nicknamed Bafana Bafana, in 2010, may have been fixed by a known match-fixer, Wilson Raj Perumal. The kit sponsor promptly withdrew, leaving a gaping R33m hole in the Association's finances. In response to the crisis, the Association entered a value-in-kind, no-cash deal with a new kit sponsor, its market strength weakened by its damaged reputation.

The match-fixing crisis had barely died down when in 2014 allegations of financial mismanagement hit the media and caused the national Olympic Committee (SASCOC) to threaten to place SAFA under administration based on these allegations.

Less than a year later, in 2015, the world of football was turned on its head when a crisis of monumental proportions engulfed FIFA, the world football governing body, when many of its most senior officials were indicted on corruption charges. Two South African co-conspirators were also referenced in these indictments, although never named by the American authorities.

In the following year, in 2016, the Association agreed to host a commercially unviable continental futsal championship without securing sponsorship and without budgeting for it, leaving another gap in an already growing long-term structural deficit..

Later that same year, FIFA investigators visited the country to collect information related to the allegations contained in the 2015 American indictments of FIFA officials. This was to determine if there was any culpability of South African officials in the $10m grant allegedly misappropriated by a former FIFA Vice-President in the Caribbean.

In 2017, allegations of rape against the incumbent President of the Association plunged the Association deeper into the reputational abyss when a former colleague of the President named him as her abuser back in 1993.

A highly contentious election campaign, wherein the Association was accused of violating its own rules, ensued and caused even greater consternation among potential sponsors. The 2022 election was no different, as evidenced by the public nature of the rule violations and accusations of poor governance. It comes as no surprise that potential suitors are not lining up in droves to sponsor what are arguably the country's most-watched sports teams: Bafana Bafana and Banyana Banyana.

Article authored by Mr Thamsanqa Gay Mokoena, former SAFA Vice-President and former Chairperson of the SAFA Finance Committee

‘Robbing Peter to Pay Paul’ Budgeting

With comparatively little interest from sponsors, SAFA’s budget is stretched thin, preventing it from fulfilling the obligations of a typical football association by making significant investments into a number of key development activities such as large-scale coaching development, structured talent identification, age group leagues, and consistent competitions at the provincial and national levels, and consistent junior national team activities. Unlike SAFA’s submission to the Parliamentary Portfolio Committee on Sport, Arts & Culture on 19 May 2023, preparing a team one month in advance does not constitute adequate preparation for major competitions. Teams take years to gel and learn a system.

The organisation’s lack of financial discipline is demonstrated by its propensity to approve expenditure beyond its approved budget every year. For example, The National Technical Centre / Fun Valley was bought for R75 785 071 (R75,7m) including improvements, according to SAFA’s financial reports. In a criminal complaint against Danny Jordaan in 2020, former NEC Member, Willie Mooka, alleges that the property was valued between R30m - R35m, yet SAFA paid about R66m for the property.

SAFA has resorted to living off future income, borrowing from its future FIFA grants to cover the shortfalls. This over-spending has resulted in SAFA being unable to perform many tasks, such as coaching development and organizing age-group competitions consistently. It is either no surprise that South Africa’s national teams have been unable to qualify or, if they do, to progress beyond the group stages of international competitions.

CREATIVE ACCOUNTING 101

The net result of these challenges has led to some creative accounting. For instance, the Association had an accumulated loss of R62,5m in 2019 . Then in 2020, because of the limited football activities as a result of the COVID-19 pandemic, the writing-off of grants to disgruntled Regions and other members of SAFA and the grants received from FIFA and CAF for COVID-19 relief, the Association made a profit of R54,3m. This meant that the Association was still R8,2m in the red.

Apparently, to cover this R8,2m accumulated loss, SAFA then declared that there were errors in the previous year in 2019. SAFA said it has made a mistake and forgot to include R1,2m of income and had by error included R7,7m of expenses which were not supposed to be included in 2019. The latter in particular is quite significant and material for SAFA to commit such an error. The Association reversed all these transactions, and that introduced new income of R8,9m (R1,2m plus R7,7m). This income wiped off the R8,2m deficit. So, the books look better. The equity is positive, eliminating any impression of (technical) insolvency. It is hard to believe that the previous auditor, one of the big 5 in the country, would make such a big mistake to be corrected by the new auditors. If so, was this error reported to the previous auditor or to the Independent Regulatory Board for Auditors (IRBA)?

2018: START OF THE DECLINE?

SAFA’s financial performance was generally good between 2011 and 2017. In 2017, the revenues were R338m, generating a surplus of R23m. The Statement of Financial Position (Balance Sheet) was strong, with assets of R183m and liabilities of R153m, yielding reserves worth R30m.

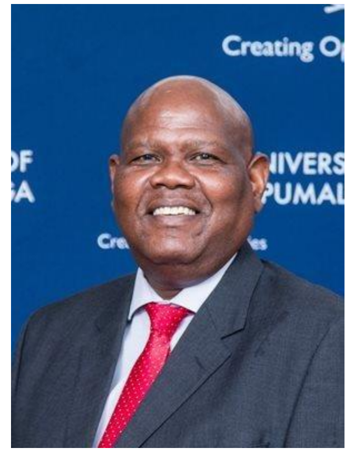
Since the fast-tracked 2018 elections, held in May of that year, instead of November-December, SAFA has just been declining in financial performance. In 2021, the revenue had come down to only R193m (including COVID grants), from the peak of R370m in 2011, generating a profit of only R1m; This is a drop of 47,8% in the Association’s income. Almost half of SAFA’s income has been lost. Assets were only R135m (from a peak of R253m), and liabilities were R134m , equal to assets after the suspicious adjustments in 2020, and accumulated reserves were only R2m (from a peak of R98,7m in 2011).

Staff were retrenched at SAFA in 2021, resulting in the dismantling of the technical structure. How will SAFA implement development at grassroots level? The process started after my departure in April 2020, when I refused to lay off staff, especially during COVID.

Despite the retrenchments, staff salary expenses have remained almost the same: R40,1m (2019);

R40,4m (2020); R36,9m (2021) and R41,8 (2022).

Including Management and the Technical staff, these amounts were R43,5m in 2021 and R48,6 in 2022, a 12% increase over the period. Retrenchment expenses were R7,7m in 2021 and R5,0m in 2022. There are recent rumours of new retrenchments in 2023, if media reports of the reasons for the resignation with immediate effect of former CEO, Tebogo Motlanthe in April are correct. It is unclear what is SAFA trying to achieve with retrenchments.



The amount owed by NEC members for the C180 Mercedes Benz vehicles remained at R4m for a number of years. This means that the NEC members were not paying back the loans they were granted to acquire their vehicles.

No provision was made for contingent liabilities. There are a number of cases against SAFA. For example, Mr. Lesley Sedibe, the former SAFA CEO is claiming R5m in damages against SAFA. SAFA is running the risk of being liquidated.

In 2021, the Association was very poor compared to its best peformance of 2011, exactly 10 years ago. For some time, the Association survived on the 2010 FIFA World Cup Legacy Trust funds. These funds have now also dried up, with the closure of the Trust. There is therefore no other direction except a continued drain as the responsibilities continue to increase as a result of the backlog in performing its common role as a football association. The main question is Why is the Association in such a decline? Is the Association in good hands?

EXTRAORDINARY EXPENDITURES CREEP IN

In 2022, audit fees increased by 60% to R946 095. This is an unusually high increase indeed. Legal fees were R8,5m for the year, yet SAFA reported to the Parliamentary Portfolio Committee on Sport & Recreation on 19 May 2023 that it spent R5m on legal fees. SAFA levelled frivolous disciplinary charges against former Vice-President Ria Ledwaba, prosecuted two whistle-blowers (Willie Mooka and myself), and conducted much correspondence on ordinary matters through its lawyers during the same year. Despite the continuing financial challenges, the NEC honorarium increased from R2,8m in 2019 to R5m in 2022, a 78% increase.

SAFA has increased its NEC members from 26 in 2013 to 47 in 2022, overseeing a staff compliment of 60. Almost each NEC member has one staff member to oversee. It is the biggest national executive committee in the world. It is even far bigger than the FIFA Council.

SAFA spent large amounts of money to convene three congresses during the 2021-2022 financial year. The main agenda of the congresses was to make amendments to the Constitution. Some of the amendments were to restrict membership participation by new artificial eligibility requirements that are designed to protect incumbency. For instance, former NEC members are excluded from participation in the NEC ever again.

THE DECLINE CONTINUED IN 2022

In 2022, there was a 18% increase in income from the previous year. Sponsorship income increased by R24m, plus TV rights revenue of R14m and a grant of R22,6m from FIFA also helped. However, expenses also increased by 26%. A loss of R2,9m was incurred. Cash is significantly low. It reduced from R18,5m to R6,5m. The R24m loan from FIFA was used to pay creditors. Trade payables were reduced by R14,8m. But this means that SAFA has now long-term loans of R21.5m. Short-term loans also increased from R2,6m to R6,6m. This means that, despite settling some creditors, the creditors have started to increase again. Despite the FIFA loan, SAFA is sitting without cash again. A rough estimate shows that about R15m was used to settle creditors and about R10m for congresses and litigation. The loan money was used up in no time.

FINANCIAL TROUBLES RETARD DEVELOPMENT

More specifically, the financial problems preclude the establishment of a nationwide high-performance academy system that promotes world-class development. The lack of standard youth academy models – despite the fact that SAFA adopted an academy regulation in 2011, has left South Africa behind other countries in terms of developing young talent. The absence of a network of academies also means that Gauteng, the only Province with multiple professional football clubs, attracts aspiring footballers from elsewhere in the country, leading to talent being crowded in a limited area.

The lack of adequate operational funds is further demonstrated by SAFA's inability to pay in time traveling allowances and prize monies to clubs playing in leagues under the Association. This has left many teams struggling to keep their heads above water. Typically, the prize monies do not cover the cost of running a club in the lower leagues of South African football.

The grants paid by SAFA to its members should serve as an essential tool to promote football development, but this has not been the case as SAFA pays grants to their members only sporadically. The inconsistency with which the grants are paid has meant that many members have to obtain alternative sources of financing in a very anaemic economy. The grants that are provided by SAFA are already minimal and not sufficient to cover the costs of running a Region or improve the standard of service delivery necessary for higher quality football.

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SAFA's financial management is in serious need of reform. The Association faces many significant challenges that result in a lack of funds for high-performance development, underpayment of Regional grants, sporadic payment of grants, and inability to pay clubs who participate in leagues under the Association. Poor leadership, patronage and sychophancy are the main sources of the challenges faced by SAFA. Until these issues are addressed, South African football will remain stagnant, and its national teams will continue to underperform both nationally and internationally.

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