SAFA CHALLENGES – A CALL FOR REFORM

1. Overview

Challenges are obstacles or difficulties that we encounter in various aspects of life. They can range from personal struggles, such as overcoming fears or breaking bad habits, to professional hurdles, like meeting deadlines or achieving career goals. Challenges push us out of our comfort zones, forcing us to grow, adapt, and innovate.

Facing challenges often requires resilience, creativity, and persistence. They test our limits and, in doing so, reveal our strengths and weaknesses. While challenges can be daunting, they also provide opportunities for learning and self-improvement. Overcoming a challenge often brings a sense of accomplishment and can boost confidence, leading to further personal or professional development.

In essence, challenges are an integral part of life. They shape our experiences, build character, and ultimately help us become more capable individuals. Whether big or small, each challenge is a step toward growth and a reminder of our potential.

These issues point to serious governance, financial, and operational challenges within SAFA that need to be addressed to restore effective functioning and transparency.

The challenges outlined within SAFA (South African Football Association) highlight significant governance, financial, and operational challenges and must be addressed to restore effective functioning and transparency. Here's a summary of the key points:

2. Elections

The SAFA Congress elects Exco members based on merit, but there are concerns that decisions are often made unilaterally by the NEC, undermining their fiduciary responsibilities.

No acting president is appointed in the absence of the incumbent, leading to further issues in leadership.

3. Triple Congresses in Three Months

There were three Extraordinary Congresses in a short period (March to June 2022), which led to confusion and incorrect Statutes being signed without consequences. This raises concerns about the alignment with CAF and FIFA statutes.

4. Banyana Banyana & CAF WAFCON 2022 Debacle

Banyana Banyana went to the CAF Women's African Cup of Nations without proper preparation, and their appearance bonuses were determined without NEC consultation.

The first NEC meeting post-elections took place 87 days later, reflecting delays in governance.

5. Banyana Banyana World Cup Debacle and Bonus Structure

Players were threatened with exclusion just before the World Cup due to a dispute over appearance bonuses.

Intervention was needed from external parties to resolve the matter, showcasing poor internal conflict resolution.

6. Collapsed Portfolios

Several standing committees have collapsed, and important committees like the Internal Audit Committee are reportedly non-existent.

7. Overcrowded NEC

The NEC is overcrowded and needs restructuring to serve football more effectively, rather than provincial interests.

8. Human Resource Policy

The CEO's resignation and the subsequent appointment process for the COO as CEO did not follow proper procedures, violating statutes.

9. Contravention of Procurement Policies

There are violations of procurement policies, including awarding contracts without proper vetting.

10. The Disappearance of IPTs from the Annual Callender

The disappearance of the Interprovincial Tournaments for the under 17, under 19, and under 21 categories is now recognized as a serious challenge for SAFA. This affects the development pipeline for young talent and could have long-term implications for South African football.

11. Withdrawal of Audit Firm

The withdrawal of a renowned audit firm, Price Waterhouse Coopers, was carried out without the knowledge or consultation of the Audit & Risk Committee, the Financial & Procurement Committees, or the NEC and Congress. This lack of transparency and communication warrants accountability and raises concerns about the financial oversight within SAFA.

12. Independent Auditors

There are serious issues with independent auditors, raising concerns about transparency.

13. Unfulfilled Commitment of the 2010 Legacy Trust:

Before the unwinding of the 2010 Legacy Trust, the NEC had resolved to use the final tranche of the grant to purchase 52 Isuzu bakkies for all 52 Regions. However, this commitment was never fulfilled, raising serious concerns about the management and allocation of these funds. The failure to deliver on this promise not only reflects poorly on SAFA’s financial management but also on its ability to honour commitments made to its regional structures.

14. Dried Up Funds

There is a backlog in the payment of grants, league prizes, and traveling fees, showing financial mismanagement.

15. Misappropriation of Funds

Financial mismanagement includes the misappropriation of R22 million meant for specific objectives, and a lack of clarity on how funds are being used.

16. MySAFA Registration System

The MySAFA system has become unaffordable, yet there is political reluctance to address this, despite a free alternative offered by FIFA.

17. Selective Exclusion of Statutes

The SAFA statutes, while generally aligned with FIFA and CAF statutes, have certain articles and/or regulations that are selectively excluded or modified. This selective exclusion is often done to advance the interests of the incumbent leadership. By omitting or altering specific regulations, the leadership can maintain control, influence decisions, and circumvent accountability, which undermines the integrity and governance of SAFA. This practice contributes to the broader challenges within SAFA, including issues related to transparency, fairness, and effective governance.

18. Search and Seizure by Hawks

The involvement of the country's Investigative Directorate unit within the National Prosecution Authority, the Hawks, in a search and seizure operation has brought SAFA's reputation into disrepute. This incident highlights the gravity of the allegations against SAFA and the need for thorough investigation and accountability.

19. High-Risk Designation by Audit & Risk Committee

The independent Audit & Risk Committee has classified the incumbent president and the longest-serving CFO globally as high-risk individuals for SAFA. This designation demands that the NEC engage in discussions and seek an opinion on the matter, as it poses significant risks to SAFA's integrity and financial stability.

20. CAF Probe into Maladministration and Corruption

The latest investigation by CAF into allegations of maladministration and corruption against the incumbent leadership has further damaged SAFA's brand. CAF has appointed an independent international committee comprising three prominent lawyers from Africa and Europe to probe these allegations, reflecting the seriousness of the situation.

21. Secrete Resignation of Integrity Officer and Ethics Committee

The resignation of the Integrity Officer and the entire Ethics Committee collective without informing the Board is a clear display of arrogance and disrespect. This mass resignation signals deep-rooted issues within SAFA and highlights the lack of proper governance and ethical oversight.

The challenges within SAFA are not only current but also deeply rooted in historical issues, as evidenced by previous investigations and recommendations.

22. Pickard Commission Findings

The Pickard Commission, instituted under the government of Nelson Mandela to investigate maleficence within SAFA, uncovered serious and condemning findings. The Commission strongly recommended that SAFA should never again operate with an executive presidential status. This recommendation was aimed at preventing the concentration of power in a single individual and ensuring better governance within SAFA. However, the current issues suggest that these recommendations have not been fully implemented, allowing similar governance problems to persist.

23. Withdrawal from CAF African Nations Championship (CHAN)

In a letter sent by the CEO to CAF since September 2023, it was stated that after discussions with stakeholders, SAFA resolved to withdraw from the CAF African Nations Championship (CHAN) due to an inability to secure players from the National Soccer League (NSL) as the tournament falls outside the FIFA calendar. However, this raises questions about the prior resolution to consider players from the ABC Motsepe League for participation in this tournament. This inconsistency in decision-making needs to be clarified as this matter was discussed by the NEC.

24. Loss of FIFA Allocation for SAFA Boys Academy

SAFA risks losing a significant FIFA allocation due to the failure to apply for the FIFA Forward Project (FFP) for the SAFA Boys Academy. The unused funds from the FFP 1.0 and 2.0 programmes will automatically be forfeited to the global pool for all Member Associations (MAs) to access if not utilized by the end of the year.

25. Mismanagement of FIFA Forward Project Funds

In 2018, FIFA, through the FIFA Forward Project (FFP), allocated $400,000 (R8,000,000) to SAFA for the upgrade of facilities at the SAFA Technical Centre (Fun Valley). Out of this amount, $120,000 (R2,350,000) was supposedly spent on ablution facilities and a portable pavilion, but these are not visible at the venue, and no report has been presented to FIFA to unlock the remaining balance of the funding. This lack of accountability raises concerns about the proper use of the allocated funds.

26. Unaccounted FIFA Forward Project Funds for Merchandise Store

The FIFA Forward Project allocated $430,000 (R8,500,000) for the establishment of a store for merchandising purposes, yet no such store has been located or identified. This is another instance of funds being allocated for projects that have not materialized, raising further questions about financial transparency and project execution.

27. Need for Detailed Information on FFP 1.0, 2.0, and 3.0:

Detailed information is required regarding the FIFA Forward Project (FFP) phases:

a. How much was applied for, and for which projects?
b. How much was allocated for each project?
c. How much of the allocated funds have been utilized?
d. How much is still outstanding or unutilized?

28. Alleged Abuse of Petty Cash

There have been allegations that national team managers are abusing petty cash and failing to reconcile and account for the utilization of these funds. Despite this financial misconduct, instead of reprimanding these individuals, the Finance department has resolved to allocate funds meant for players' match allowances to the Head of Delegation. This shift in allocation not only undermines the players' entitlements but also raises serious questions about the financial oversight and ethical governance within SAFA.

29. Alleged Abuse of Credit Cards

In addition to the alleged petty cash abuse, there have been reports of national team managers misusing credit cards under their control. This misuse has become so severe that the bank has decided to close and cancel the credit card facilities linked to these managers. This development further underscores the lack of financial discipline and accountability within the organization and signals a significant breakdown in governance controls.

30. Conclusion

These issues indicate deep-rooted challenges within SAFA that need urgent attention to restore governance, financial stability, and operational efficiency.

These points underscore the severity of the governance and operational challenges faced by SAFA, highlighting a historical pattern of issues that have yet to be fully addressed.

The potential loss of FIFA funds due to poor management further jeopardizes SAFA's financial stability and its ability to execute crucial projects. The need for reform is critical to align with best practices and restore confidence in SAFA's leadership and operations.

These challenges suggest that SAFA needs significant reform to address the underlying issues and improve its overall functioning which is clearly decorated in the proposed strategy for change titled **THE SOUTH AFRICAN NATIONAL FOOTBALL DEVELOPMENT STRATEGY 2036**.

SAFA FINANCIAL HEALTH ANALYSIS 2023

1. **LIQUIDITY TEST:** SAFA appears to be facing significant liquidity challenges:

1.1 Current Ratio = Current Assets / Current Liabilities

- **Figures**:
  - Current Assets: R21,178,321
  - Current Liabilities: R157,836,191
- **Calculation**: 21,178,321 / 157,836,191 = **0.13**

Current Ratio (0.13): This indicates that for every R1 of current liabilities, SAFA has R0.13 in current assets. A ratio below 1 suggests liquidity issues, meaning SAFA may struggle to cover its short-term obligations.

With a current ratio of 0.13, SAFA has only 13 cents of current assets for every R1 of current liabilities. This is well below the standard benchmark of 1, suggesting that SAFA may struggle to meet its short-term obligations as they come due.

1.2 Net Working Capital = Current Assets - Current Liabilities

- **Figures**:
  - Current Assets: R21,178,321
  - Current Liabilities: R157,836,191
- **Calculation**: 21,178,321 - 157,836,191 = **-R136,657,870**

Net Working Capital (-R136,657,870): The negative working capital indicates that current liabilities exceed current assets by a substantial margin, indicating potential liquidity challenges. This further underscores SAFA's difficulty in covering its short-term debts with its current assets.

1.3 Quick Ratio = (Current Assets - Inventory) / Current Liabilities

- **Figures**:
  - Current Assets: R21,178,321
  - Inventory: R0 (Assumed)
  - Current Liabilities: R157,836,191
- **Calculation**: (21,178,321 - 0) / 157,836,191 = **0.13**

Quick Ratio (0.13): Similar to the current ratio, this measures the ability to meet short-term obligations without relying on inventory. Since the ratio is well below 1, it signals poor liquidity.

The quick ratio is the same as the current ratio in this case (since inventory is assumed to be negligible), reinforcing the conclusion that SAFA is not liquid enough to meet its immediate liabilities without potentially liquidating long-term assets.

The overall conclusion: SAFA is not liquid, meaning it may have difficulty covering its short-term obligations, which could lead to financial distress if not addressed.

2 LEVERAGE

2.1 Debt Ratio = Total Liabilities / Total Assets

- **Figures**:
  - Total Liabilities: R171,879,641
  - Total Assets: R164,439,816
- **Calculation**: 171,879,641 / 164,439,816 = **1.05**

Debt Ratio (1.05): A ratio above 1 means that SAFA has more debt than assets, indicating it is heavily leveraged and may face difficulties meeting its debt obligations.

2.2 Debt/Equity Ratio = Total Liabilities / Equity

- **Figures**:
  - Total Liabilities: R171,879,641
  - Equity: -R7,439,825
- **Calculation**: 171,879,641 / -7,439,825 = **-23.10**

Debt/Equity Ratio (-23.10): This negative value is due to SAFA's negative equity, reflecting that liabilities far exceed the equity, highlighting significant financial risk.

3 CONCLUSION

While SAFA faces significant financial challenges, particularly in terms of liquidity and leverage, its efficient asset utilization provides a foundation for improvement. By addressing the identified concerns and implementing the recommended strategies, SAFA can enhance its financial health and achieve sustainable growth in the future.

SAFA FINANCIAL HEALTH ANALYSIS 2024

1. **LIQUIDITY TEST:** below ratios indicate that SAFA is facing significant liquidity challenges.

1.1 Current Ratio = Current Assets / Current Liabilities

Figures: R56,521,154 / R197,700,016

Calculation: R56,521,154 / R197,700,016 = **0.29**

- **Explanation**: The current ratio measures SAFA's ability to pay off its short-term liabilities with its short-term assets. A ratio of **0.29** means that for every R1 of liabilities, SAFA has only R0.29 in assets. A ratio below 1 indicates liquidity problems, as SAFA may struggle to meet its short-term obligations.

1.2 Net Working Capital = Current Assets - Current Liabilities

Figures: R56,521,154 - R197,700,016

Calculation: R56,521,154 - R197,700,016 = **-R141,178,862**

- **Explanation**: Net working capital measures the difference between current assets and current liabilities. The negative value of **-R141 million** shows that current liabilities exceed current assets by a large margin. This indicates a potential liquidity crisis, as SAFA may not have sufficient assets to cover its liabilities.

1.3 Quick Ratio = (Current Assets - Inventory) / Current Liabilities

Figures: (R56,521,154 - R0) / R197,700,016

Calculation: (R56,521,154 - R0) / R197,700,016 = **0.29**

- **Explanation**: The quick ratio is a stricter measure of liquidity than the current ratio because it excludes inventory, which may not be quickly converted to cash. A quick ratio of **0.29** also indicates poor liquidity, suggesting SAFA cannot meet its immediate liabilities without significant cash flow problems.

The overall conclusion: SAFA is not liquid, meaning it may have difficulty covering its short-term obligations, which could lead to financial distress if not addressed.

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2. **LEVERAGE**

2.1 Debt Ratio = Total Liabilities / Total Assets

Figures: R207,151,628 / R193,061,114

Calculation: R207,151,628 / R193,061,114 = **1.07**

- **Explanation**: The debt ratio shows the proportion of assets financed by debt. A debt ratio of **1.07** indicates that SAFA's liabilities exceed its assets. This implies SAFA is highly leveraged and may face difficulties repaying its obligations, as it does not have enough assets to cover its total debt.

2.2 Debt/Equity Ratio = Total Liabilities / Equity

Figures: R207,151,628 / -R14,090,514

Calculation: R207,151,628 / -R14,090,514 = **-14.7**

- **Explanation**: The debt/equity ratio measures the level of financial leverage by comparing total liabilities to shareholders' equity. A negative ratio of **-14.7** occurs because SAFA has negative equity, which suggests that it has more debt than assets and shareholders' equity is negative. This is a very risky financial position, indicating potential insolvency.

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3. GOING CONCERN

A **going concern** refers to an organisation's ability to continue its operations in the foreseeable future, generally considered at least 12 months from the date of the financial statements. When an organization is viewed as a going concern, it means it has sufficient resources to continue its operations and meet its obligations without the risk of liquidation or bankruptcy.

3.1 Signs of Going Concern Issues

Based on the liquidity ratios above, there are several red flags that could indicate potential going concern risks:

3.1.1 Negative Net Working Capital

SAFA has **negative working capital** of **-R141 million**, meaning it lacks enough current assets to meet its current liabilities. This indicates difficulty in meeting short-term obligations, such as paying suppliers, salaries, grants and prize monies.

3.1.2 Low Current and Quick Ratios

Both the **current ratio** (0.29) and **quick ratio** (0.29) are well below the ideal benchmark of 1, signalling severe liquidity challenges. SAFA struggle to cover short-term liabilities with its available assets.

3.1.3 High Debt Ratios

The **debt ratio** of **1.07** means SAFA's liabilities exceed its total assets. This suggests that SAFA is highly leveraged and has a significant amount of debt in comparison to its assets.

The **debt/equity ratio** is **-14.7**, due to SAFA's negative equity, which is a serious concern. It indicates that SAFA has more debt than it can support with its equity, making it financially unstable.

3.1.4 Negative Net Income

SAFA reported a **net income loss of R5,441,297**, which indicates operational challenges. A consistent pattern of losses could further affect liquidity and the ability to generate cash flows needed to meet obligations.

4. CONCLUSION

Given the high debt levels, negative equity, and weak liquidity position, SAFA may have challenges maintaining its status as a **going concern**. These issues raise doubts about its ability to continue its operations without restructuring, additional funding, or improved financial performance. If SAFA does not resolve these financial difficulties, it may face the risk of insolvency or require significant changes to its operating model to stay afloat.

The management would need to assess this situation carefully and possibly disclose uncertainties about SAFA's ability to continue as a going concern in their financial statements, including plans to mitigate these risks.