



Report of the State Comptroller of Israel | May 2024

Ministry of Culture and Sports

The Football Association's Budget Control Authority



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Background

Football is one of the most popular sports in the world, including in Israel, with about 270 million people playing football regularly, professionally, or as amateurs. In Israel, about 46,000 male and female players are registered in various leagues (children, youth, adults, and women). Like other sports, football also serves as an educational and social tool that contributes to the development and nurturing of children and youth under sports values, promoting health, teamwork, responsibility, and discipline. The Israel Football Association (IFA) is in charge of regulating football in Israel.

Operating a professional football team requires a significant investment of resources, most of which are for salary payments to players. Consequently, a financially unstable football team may face financial difficulties that preclude it from meeting its obligations and potentially leading to its dissolution. The dissolution of a team could cause damage on multiple levels, such as harm to football's reputation as a sport, impact on the team's players and staff who would lose their source of income, distress to fans, damage to the league in sporting terms, loss of revenue for TOTO (the Israeli sports betting organization), and harm to youth departments.

Given the severe financial status of football teams in Israel and the need to maintain their financial stability, the IFA established the Budget Control Authority (the Authority) in 1992. The Authority operates under the Budget Control Regulations (Regulations): it oversees the financial management of football teams in the two professional men's leagues (the Premier League and the National League)¹ and the Women's Premier League². The organizational structure of the Authority is headed by its chairman. According to the Regulations, any team whose budget is not approved by the Authority or the Authority plenum will not be allowed to play in the league for which it registered and will be demoted to a lower league. In addition, any player or coach whose contract is not approved by the Authority will not be able to play or coach in that season.

1 In the 22/23 season, there were 14 teams in the Premier League and 16 teams in the National League.

2 Since 2006, as part of the supervisory obligation imposed by UEFA on clubs participating in its competitions, the Authority has overseen the financial criterion. Furthermore, starting from the 23/24 season, the Authority will also supervise any team participating in League A that is registered with the IFA.



Key Figures

**NIS 671
million**

total revenue of Premier League teams in the 22/23 season

**NIS 132
million**

total revenue of National League teams in the 22/23 season

7 of 14

Premier League teams ended the 22/23 season with a cumulative financial loss of NIS 49 million

10

National League teams ended the 22/23 season with a financial loss compared to four teams in 19/20 season

**NIS 281
million
(18.5%)**

the aggregate deficit in the equity of teams in the professional leagues (Premier League and National League) for the 22/23 season, compared to the one for the 1999/2000 season, which was about 237 million NIS, an increase of about 18.5%

19 of 28³

teams in the Premier League and National League ended the 22/23 season with negative equity, a warning sign that may indicate financial difficulties

**17 of
28⁴**

teams in the Premier League and National League with a current ratio of less than 1 in the 22/23 season, indicating financial risk, i.e., some teams may not have enough current assets to meet their short-term liabilities

**up to NIS
100,000**


annual base salary of 46% of players in the Premier League and National League in the 22/23 season (195 players)

³ In the 22/23 season, there were 14 teams playing in the Premier League and 16 in the National League. Two teams from the National League were relegated to League A and did not submit financial reports to the Authority because they were not required to do so; hence, the financial reports of 28 teams are presented.



⁴ See footnote above.



Audit Actions

 From November 2022 to July 2023, the State Comptroller's Office conducted a financial audit on the Authority's supervision processes of the teams, with a focus on the Authority's efforts to achieve budgetary balance for the teams in the two professional leagues⁵, issues of corporate governance, and the interactions between the Authority and the IFA. As part of the audit, the audited financial statements of the teams in the professional leagues for the 2019/20 to 2022/23 seasons (four seasons)⁶ submitted to the Chairman of the Authority, (as required by the Regulations), were analyzed. The previous State Comptroller's Office report on the Authority was published in 2001⁷ (the previous audit).

Key Findings

-  **Action Taken by the Authority to Maintain the Financial Stability of Premier League and National League Football Teams** – one way to assess the financial condition of an accounting entity is through its equity, as presented in the financial statements (net assets in a non-profit organization)⁸. The State Comptroller's office noted in the previous report that at the end of 1999, the aggregate equity of the 36 teams in the professional leagues was negative, at about NIS 162 million (in real terms, as of May 2023, about NIS 237 million). 22 years from the 1999/2000 season to the 22/23 season, the deficit in the aggregate capital of the professional league teams did not decrease and even increased – from NIS 237 million to NIS 281 million (in real terms increase of about 18.5%). In addition, 19 out of 28 teams have negative equity, at about NIS 326 million. This trend is contrary to the expected outcome following the establishment of the Authority, which was created in response to the severe financial condition of football teams in Israel and to maintain their financial stability. Thus, the Authority has not achieved the goal for which it was established.
-  According to the financial condition presented in the profit and loss statements of the Premier League teams, the loss in the 19/20 season was 22%. In comparison, in the 22/23 season, there was a shift to profitability of 4%. However, it was also raised that the combined loss of the seven teams was about NIS 49 million (the loss from their

5 The audit did not address budgetary control over the Women's League and League A.

6 The audited reports are as of May 31 for each year.

7 State Comptroller, **Audit Report on Associations** (2001), "Israel Football Association," pp. 84–88.

8 The surplus of total assets over total liabilities.



revenues was approximately 16%). The turnaround between the 21/22 and 22/23 seasons and the transition to an aggregate profit was partly due to significant one-time revenues, at tens of millions of NIS, for two teams (one recognized extraordinary income due to the write-off of shareholder debt).

Control Over Player and Professional Staff Salaries

- **Proactive Control of Salaries and Benefits** – the annual base salary of 46% of players in the Premier League and the National League for the 22/23 season was up to NIS 100,000 (salary for ten months of work). In the calculation of twelve months of work per year, the average monthly salary was about NIS 37,000 in the Premier League and NIS 10,300 in the National League. By comparison, the average salary in the economy for 2022 was about NIS 12,000. According to the Regulations, the Authority itself is not required to proactively monitor the salary payments of the teams to their employees. Despite this, according to the Football Players' Association, there are sometimes National League teams that delay salary payments. The Association claims that during the 22/23 season, in seven out of sixteen National League football teams, there were delays of a week or more in salary payments to players, and sometimes the delay lasted several months.
- **Handling Players and Professional Staff Complaints** – one of the mechanisms in labor law enforcement is an employee complaints mechanism. The IFA failed to establish in its Regulations or otherwise, a structured mechanism (procedure for handling complaints, setting their handling method, and response) that would allow complaints to be filed against football teams for delays in salary payments and for transferring information about the complaint for review by the Authority, regardless of filing a claim to the IFA's arbitration institution (a process that requires paying a fee and a financial deposit).
- **Proactive Investigations** – the Authority receives extensive financial information from teams, including contract details for all players, and must approve each contract. The cumulative information at the Authority on players' salaries can be used to identify negative phenomena of salary payments that exceed the contract deposited and approved by the Authority, such as through an additional contract with payments in cash or equivalent (double contract). For example, players and officials from one of the teams were convicted by the IFA's Supreme Court for violating Section 6(b)(1) of the IFA's Regulations since, in the 16/17 season, they received various additional payments beyond the salary set in the agreements deposited and approved by the Authority⁹. This information is confidential according

⁹ Disciplinary Court of the Football Association, Case No. 98477; Supreme Court of the Football Association, Case No. 1-17/18 (2017).

to the Regulations and is held only by the Authority. It was found that the Authority does not proactively analyze the information it has to identify double contracts¹⁰.

📌 Realization of Collateral by the Authority – the Regulations require the teams to provide collaterals to ensure budget compliance; therefore, these must be available for immediate realization. The Chairman of the Authority determines the amount and type of collaterals for each team, and budget approval is contingent upon their deposit. According to the Regulations, the Chairman of the Authority may accept various types of collaterals, including from parties who are not the team's owners¹¹. However, "collaterals" is a broad term and allows for assets that cannot be immediately liquid and may be challenging to realize. The value of real estate, art objects, and digital currencies may fluctuate. There is a risk that the Authority may not be able to realize the collaterals immediately and at their original value, thus fulfilling their purpose.

📌 The Authority's Control over the Youth Department's Budget – one of IFA's goals is to develop football in Israel; hence, investment in the clubs' youth departments is important. According to UEFA's club licensing Regulations, one of the goals is to promote and improve the level of football and prioritize the training and treatment of young players. From the financial reports' analysis of the 22/23 season of nine clubs from the Premier League and nine clubs from the National League (teams whose financial reports reveal information about youth department expenditures), it was found that six clubs diverted budgets from their youth departments to the senior team's activity. The audit found that besides setting a minimum budget for the youth department, the Regulations do not establish rules to prevent the diversion of budgets from the youth department to the senior team. Consequently, the Authority does not effectively monitor this issue. Therefore, there is a risk of harm to the youth department's activity and potentially even the future of Israeli football, which relies on nurturing young players, a barrier highlighted by the Peled Committee in 1990.


📌 Reciprocal Relations Between the Football Association and the Authority

- **Term Limit for the Chairman of the Authority** – the terms of senior or sensitive position appointments are limited to avoid dependence between the appointing entity and the officeholder. It was found that the IFA failed to limit the term of office for the Chairman of the Authority, unlike other senior positions in the IFA. Since the Authority's establishment in 1992 until 2023, only three chairmen have served: The first served for about 18 years, from 1992 to mid-2009; the second served for 10 years, from May 2009 to May 2019; and the third, appointed in June 2019, has been serving in her role since then.

10 Payment beyond the contract deposited and approved by the Authority.

11 According to the Regulations on the transfer of management rights in football teams, team owners are required to have a clean criminal record and undergo financial due diligence depending on the league in which the team participates.









- **Internal Audits Within the Authority** – the audit raised that over the Authority's years of activity, in 1992–2023, the IFA internal auditor failed to conduct internal audits of the authority.
 - **Learning from Past Experience Regarding Clubs that Encountered Financial Difficulties** – it was found that although one team went bankrupt in the 21/22 season and four other teams encountered significant financial challenges, the IFA did not implement a structured process to learn from these cases and set measures that will enable timely warning of the likelihood of such cases and prevent them.
-  **Reports from the Authority to the IFA** – the audit found that the IFA failed to obtain data from the Authority in a secure and protected manner regarding the financial status of football teams and their youth departments. Therefore, despite the need to oversee the Authority, the IFA lacks sufficient information to evaluate the Authority's achievements in improving the financial resilience of football clubs.



Update of the Authority's Regulations – in February 2019, the Regulations were changed following administrative work performed by the IFA consultation with an external consulting firm.

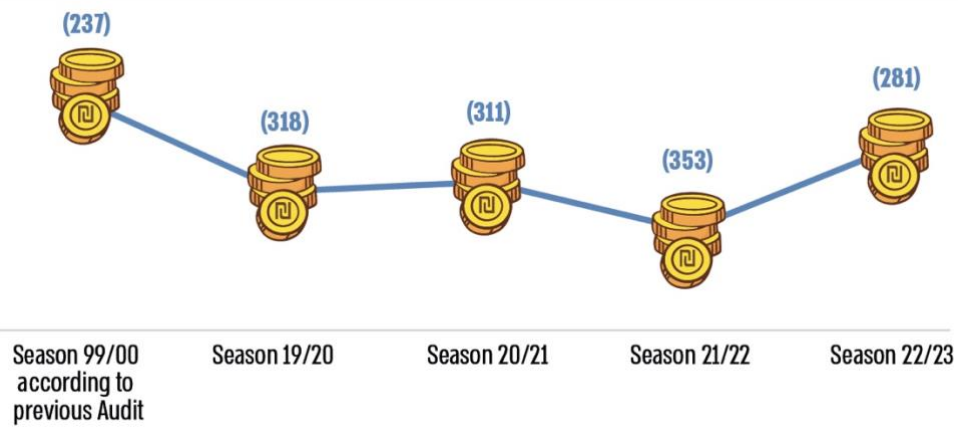


Key Recommendations

-  The international trend led by UEFA in its club licensing Regulations is to improve the financial state of the clubs participating in its organized competitions while setting financial thresholds and goals for them. According to the IFA's regulations a team that fails to meet the criteria for reducing past debts or decreasing the deficit in its equity can participate in the league. It is recommended that the IFA explore additional ways of encouraging teams to improve their financial resilience, including making the teams participation contingent upon reducing their equity deficit or improving predetermined financial ratios, such as the current ratio.
-  It is recommended that the IFA incorporate a mechanism for handling complaints from players regarding unpaid wages within the Regulations. To the extent required, such investigations should be conducted by the Authority, which holds the collateral for wage payments provided by the teams at its request, has information on the contracts, and has the authority under the Regulations to act against the teams. In addition, the Authority should proactively use the information it has to verify timely wage payments according to the approved agreements.
-  It is recommended that the IFA incorporate into its bylaws the scope of third-party collaterals and the type of asset that can serve as collateral, enabling its immediate realization. If the collateral has fluctuating value, it is crucial for the authority to monitor its value and request completion of the collateral as necessary.
-  To ensure the promotion and development of the youth departments, the IFA should set rules in the Regulation ensuring that the revenue from these departments are used for its intended purpose and not diverted to other activities and that it maintains supervising this. Thus, preventing harm to investment in and development of the youth department. It is recommended that the IFA set Regulations to verify that the accounting records in the financial statements prevents diverting expenses from the youth department to the senior team.
-  To maintain the independence of the Chairperson of the Authority, the IFA should limit the term of office, as in other senior positions within the IFA.
-  It is recommended that the IFA conduct an internal audit of the Authority; perform a structured and systematic conclusion process regarding football teams that have encountered insolvency or financial difficulties; establish a subcommittee for budgetary control to appoint, among other things, public officials with expertise in accounting and economics to coordinate work vis-a-vis the Authority. Moreover, it should also demand to receive at least aggregate financial information from the Authority on all teams combined, based on various parameters or according to financial indices and ratios and publish this information on the IFA's website.



The Volume of Real Aggregate Equity of Professional Teams in the 99/00 Season and that of Professional Teams in the 19/20–22/23 Seasons (rounded to millions of NIS)



According to the teams' financial statements, processed by the State Comptroller's Office.



Summary

Football is one of the most popular sports in the world, and Israel is no exception. Football, like other sports, is also an educational and social tool contributing to the development and nurturing of the generation of children and youth – under the values of sports and the promotion of health, teamwork, responsibility, and discipline. Given the difficult economic situation of football teams in Israel and to maintain their financial stability, the IFA established the Authority in 1992. 22 years from the 1999/2000 season to the 22/23 season, the deficit in the aggregate capital of the professional league teams did not decrease and even increased – from NIS 237 million to NIS 281 million (an absolute increase of about 18.5%, according to the May 2023 index). According to the financial statements for the 22/23 season, 19 out of 28 teams have negative equity, at about NIS 326 million. This trend is contrary to the expected outcome following the establishment of the Authority, which was established in response to the severe financial condition of football teams in Israel and to maintain their financial stability. Thus, the Authority has not achieved the goal for which it was established.

The international trend led by UEFA in its club licensing Regulations is to improve the financial state of the clubs participating in its organized competitions while setting financial thresholds and goals for them. According to the Regulations (established by the Israeli IFA), a team that fails to meet the criteria for reducing past debts or decreasing the deficit in its equity can participate in the league. It is recommended that the IFA explore additional ways of encouraging teams to improve their financial resilience, including making the teams participation contingent upon reducing their equity deficit or improving predetermined financial ratios, such as the current ratio. In its Regulations, the IFA should regulate and ensure that revenue from youth departments is channeled to their intended purpose and not diverted to other activities and that control is maintained over this. This is essential to prevent harm to investment in and development of the youth department. It is recommended that the IFA demand from the authority at least aggregate financial information on all the teams together, according to various indicators and financial ratios; and publish this information on the IFA's website.

