

Samurdhi Housing Development Lottery Fund – 2017

The audit of the financial statements of the Samurdhi Housing Development Lottery Fund for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 and the statement of changes in equity and cash flow statement for the year then ended, and including 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 45 of the Divineguma Act No.01 of 2013. My comments and observations on the above financial statements appear in this report.

1.2 Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management 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

My responsibility is to express an opinion on these financial statements based on my audit . I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that, I comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment ,including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund’s preparation and fair presentation of the financial statements 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 Fund’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 2.2 of this report ,the financial statements give a true and fair view of the financial position of the Divi Neguma Housing Development Lottery Fund as at 31 December 2017 and its financial

performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

The following observations are made.

- a) In terms of Sri Lanka Accounting Standards No. 07 due to the non- reviewing of the useful life of non- current assets cost of Rs.2,369,568 of computer accessories which had been fully depreciated. The value of Rs.1,533,980 of ideal computers which had purchased in the year 2002 and the year 2005. And the value of Rs. 835,588 of computers which in use had purchased in the year 2012 had not been accounted determining the carrying amount.
- b) Value of Rs.7,150,000 of unclaimed cash prizes in relating to previous years, had returned during the year under review and that amount of cash had been entered as cash and cash equivalent at the beginning of the year under review without being entered as receiving of contribution of Lottery in the statement of cash flow.

2.3 Non- compliance with Laws ,Rules, Regulations and Management Decisions.

Even though it was stated that if there were fair reasons for maintaining a non- statutory Fund further, that type of Funds should be legalized by an Act of Parliament in terms of Circular No. PF/423 of 22 December 2006 and Financial Regulations 876 (3) published by Public Finance Circular No. 1/2020 of 28 August 2020. Activities of the Fund has been maintaining up to the date in terms of regulations approved by the Board of Management without being taken actions to legislate the Fund.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Fund for the year ended 31 December under review was a surplus of Rs.142,111,051 compared with the corresponding surplus of Rs.447,187,633 for the preceding year thus observing a decrease of Rs.305,076,582 of the financial result for the year under review as compared with the preceding year. An increase of expenditure of the prizes by Rs.312,300,000 due to the increase of prize winning families by 2400 up to 3972 families during the year under review had been mainly attributed to the improvement.

4. Operating Review

4.1 Performance

The following observations are made.

- a) Out of lottery prize winners of lottery draws had been drawn during the year 2016 and 2017 an amount of Rs.36,600.000 and Rs.25,200,000 of prizes respectively

owned to the number of beneficiaries 183 and 126 respectively had been returned from the District offices ,due to the various reasons of the death of the beneficiary, the winner is being a non-beneficiary, going abroad, unable to find information and actions had not been taken to remove the names of the beneficiaries who had won once from the data base for a specific period of time as a methodology of holding for a certain period of time to draw again. According to that a considerable number of Samurdhi beneficiaries who had missed the chance of winning. Therefore the objectives and vision of the Fund could not be reached.

- b) Even though the average number of samurdhi beneficiaries were 16,773,010 during the year under review, out of those samurdhi beneficiaries the number of winners being claimed prizes were 3846 that is a 0.022 per cent.91 per cent of contribution received during the year under review had been paid and value of that amounting to Rs.769,300,000. For these reasons necessary actions had not been arranged to achieve the vision and objectives of the Fund that providing a house for each beneficiary.
- c) Even though the computer data system should be updated in accordance with the regulation No.17 of Samurdhi Housing Lottery Fund, by entering the information of beneficiaries who had removed and new beneficiaries of the relevant month before each draw .Accordingly, action had not been taken ,an amounting to Rs.101,550,000 of prize money could not be awarded to the 574 number of prize winning beneficiaries for 6 years from the year 2012 to2017.
- d) Even though monitoring to appropriate projects for upgrading economic status of the winner beneficiaries is an objective of the Fund ,in terms of the regulation No.8.Any action had not been taken in relating to that.

4.2 Utilization of Funds contrary to the objectives.

The following observations are made.

- a) An approval of the Board of Trustee had been given by the paper No. 2016/DL/10/01 for the request of the Director General of Samurdhi for building up a house for a selected family, under the Housing project of model villages which had implemented for very low income earners of poor families live in that villages ,the programme of Samurdhi Model villages implementing as a special programme of Samurdhi Development Department. Accordingly,40 number of villages are implementing in the 25 Districts and the approval for building up 40 houses had been given for each one house for each village. From the Fund which had been made up by the monthly contribution of Samurdhi beneficiaries, a sum of Rs.1,200,000 had been paid for building up houses each of Rs.200,000 for 6 number of non-beneficiaries of Samurdhi families.
- b) Contrary to the set of regulations of the Fund an expenditure of Rs. 2,850,000 had been made for 19 persons without being drawn of winnings, for building up houses for low income earners who should be paid special attention.

- c) Contrary to the regulations of the Fund ,a sum of Rs. 13,000,000 had been paid under the maximum of Rs. 500,000 for each house for building up village of Samurdhi Wasana Niwasa for 26 number of low income earners of fisheries families in the Nagul Eliya village in the Divisional Secretariat of Archchikattuwa, in the District of Puttalama.

5. Accountability and Good Governance

5.1 Submission of Financial Statements

Even though the Financial Statements along with the Annual Performance Report should be required to render to the Auditor General within 02 months after close of financial year in accordance with the Public Accounts Circular No. PF/423 of 22 December 2006 and in terms of Financial Regulations No. 877 (2) (d) as published in paragraph 15 of Public Finance Circular No. 1/2020 of 28 August 2020.The revised Financial Statements had submitted by 08 November 2021.

5.2 Audit Committee

The audit observations in relation to Fund had not been discussed even in the Audit and Management Committee meeting.

5.3 Budgetary Control

A budget for the activities of the Fund had not been prepared in terms of Paragraph 4.1 of the Public Finance Circular No.PF/423 of 22 December 2006 and Financial Regulation 877(1) as published in Paragraph 15 of the Public Finance Circular No.1/2020 of 28 August 2020.

6. Systems and Control

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairmen from time to time and special attention should be needed in respect of legislating the Fund and maintaining activities properly and stablishing a methodology of internal control efficiently.