

Samurdhi Housing Development Lottery Fund - 2018

1.1 Opinion

The audit of the financial statements of the Samurdhi Housing Development Lottery Fund for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance, statement of changes in net assets and cash flow statement 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, the financial statements of the Fund give a true and fair view of the financial position of the Fund as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAS). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements 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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards 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 the Fund 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 Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

As per Sub-section 16 (1) of the National Audit Act No. 19 of 2018, the Fund 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 Fund.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

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 Fund'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 Fund'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 Institute 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

Fund, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Fund has complied with applicable written law, or other general or special directions issued by the governing body of the Fund ;
- Whether the Fund has performed according to its powers, functions and duties; and
- Whether the resources of the Fund had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

2. Financial Review

2.1 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. 175,229,171 compared with the corresponding surplus of Rs142,111,051 for the preceding year thus observing an improvement of Rs. 33,118,120 of the financial result for the year under review as compared with the preceding year. An increase of interest income of investments by Rs.9,328 ,355 during the year under review and the decrease of total expenditure by Rs. 28,782,765 had been mainly attribute to this improvement.

3. Operating Review

3.1 Non - compliance with Laws, Rules, Regulations and Management Decisions

Non-compliance to the Laws, Rules and Regulations	Comment of the management	Recommendation
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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 of by Public Finance Circular No. 1/2020 of 28 August2020 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.	Preparing of Laws, sets of rules needed to maintained the Fund has been forwarded to the Department of Drafting of Laws.	Action should be taken in accordance with the Financial Regulation and instructions of the circulars.

3.2 Management Activities.

Audit Observation	Comments of the Management	Recommendation
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 taken to action to determine the carrying amount.	Several ideal computers had auctioned and several computers have to be disposal and rest of other computers had been accounted determining the carrying amount relating to the year 2019.	Action should be taken to disposal Ideal computers and determine the carrying amount relating to other computers.

3.3 Performance

The following observations are made.

Audit observation	Comment of the management	Recommendatio
a) Out of lottery prize winners of lottery draws had been drawn during the year 2017 and 2018 an amount of Rs. 31,800,000 of prizes owned to the number of beneficiaries 159 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, non-residence 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.	Due to the non-reporting of accurate information from Divisional Secretariats, issues of updating of the data base had aroused.	Action should be taken to update the data base as per enable to fulfill the objectives of the Fund.
b) 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.128,550,000 of prize of money could not be awarded to the 709 number of prize winning beneficiaries for 7 years from the year 2012 to 2018.	Data base are updated once in 6 month and it is accepted that in the other occasions data base was not updated.	Action should be taken in accordance with the Regulations of the Fund and the database should be updated.

c) Even though relevant prize of money should be awarded after every draw before exceed 03 months to the winning beneficiaries who had complete the conditions in accordance with the Regulation No.26 of the Fund. According to the audit test checks had done during the year under review the delay of receiving of prize of money being from 03 months to 14 months it was observed that action had not been taken in accordance with the Regulations of the Fund.

District secretariats had been aware to give provisions within 03 months. Action should be taken in accordance with the Regulations of the Fund.

d) Even though monitoring to suitable 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.

The special housing programme had implemented in addition to the housing lottery drawing programme. Action should be taken in accordance with the Regulations of the Fund.

3.4 Utilization of Funds contrary to the objectives.

The following observations are made.

Audit observation -----	Comment of the management -----	Recommendation -----
a) From the Fund which had been made up by the monthly contribution of Samurdhi beneficiaries an expenditure of Rs3,100,000 had been made for 16 persons without being drawn of winnings, for building up houses for low income earners who should be paid special attention.	Low income earners had not entered in to the data base.	Data base should be properly updated.
b)Contrary to the regulations of the Fund ,a sum of Rs. 5,688,000had been paid for each house for the programme 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 .And among these	The Board of Trustees of Housing Lottery is empowered to fulfill the necessity of houses with out being harmful to the Fund.	Action should be taken according to the objectives and Regulations of the Housing Fund.

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit observation	Comment of the management	Recommendation
Even though the Financial Statements along with the Annual Performance Report had not been rendered 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 15.1 of Public Finance Circular No. 1/2020 of 28 August 2020.	Delayed due to resubmission of financial statements year after year audited.	Financial Statements should be presented during the relevant period in terms of Financial Regulations and as per instructions of the circulars.

4.2 Audit Committee

Audit observation	Comment of the management	Recommendation
The audit observations in relation to Fund had not been discussed even in the Audit and Management Committee meeting.	Discussed continuously in the Audit and Management committees.	Action should be taken to pay attention of the Audit and Management committees.

4.3 Budgetary Control

Audit observation	Comment of the management	Recommendation
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)(d) as published in Paragraph 15.1 of the Public Finance Circular No.1/2020 of 28 August 2020.	Actions to be taken based on the decisions taken in the future , relating to the Fund.	Budget should be prepared and presented during the relevant period in terms of Financial Regulations and as per instructions of the circulars.