

Samurdhi Housing Development Lottery Fund - 2019

1.1 Opinion

The audit of the financial statements of the Samurdhi Housing Development Lottery Fund for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements and 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 2019, 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 Fund 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.

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

Reference to the Laws, Rules and Regulations	Non-compliance	Comment of the management	Recommendation
(a) Public Finance Circular No. PF/423 dated 22 December 2006 and Financial Regulations 876 (3) established by the paragraph 15.1 of Public Finance Circular No. 1/2020 dated 28 August 2020	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. Activities of the Fund has been maintaining up to the date in terms of a set of regulations approved by the Board of Management without being taken actions to legislate the Fund.	In accordance with the Divineguma Act No 1 of 2013. Instructions were given to implement the Funds implemented by Samurdhi Authority in the same way and accordingly the Divineguma Act has received the approval of the Parliament to operate the lottery Fund as per the Divineguma Act, and currently it has become the Samurdhi Act. However activities needed to legislate the Fund are being carried out by the legal section of the Department of Samurdhi Development.	Action should be taken in accordance with the Financial Regulations.
(b) In terms of Paragraph 4.1 of the Public Finance Circular No. PF/423 dated 22 December 2006 and Financial Regulation 877(1) as established in Paragraph 15.1 of the Public Finance Circular No. 1/2020 dated 28 August 2020.	A budget for the activities of the Fund had not been prepared	Action to be taken to prepare the budget after preparing a sets of regulation needed to legislate the Fund and the budget has been prepared from the year 2021.	__do__

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 2019 was a surplus of Rs.466,554,238 and the corresponding surplus was Rs. 175,229,171 of for the preceding year thus observing an improvement of Rs.291,325,067 of the financial result for the year under review as compared with the preceding year. An increase of lottery contribution by Rs.320,069,530 during the year under review had been mainly attribute to this improvement.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
<p>In the month of December 2018, January, February and March 2019 giving cheques relating to 1324 number of lottery winners were stopped and a ceremony was held spending of Rs.4,104,150 in the Temple Tree House on 02 July 2019 and those cheques had been awarded to them..</p>	<p>This type of ceremonies which are not inherent only to the year 2019, and have been held in the places like Temple Tree House, President House, Aendana playground, Swarnajothi Vidyalaya, Rathnapura playground, Mathara playground, and cheques awarding ceremonies have been held for the winning beneficiaries for a few years together, when organizing this type of ceremonies by obtaining the approval of the Housing Lottery Trust Fund for the expenses such as food, drinks, refreshment such as tea, transportation expenses and other event expenses, has been organized and unnecessary expenses had not been incurred there.</p>	<p>Such unnecessary expenses should be minimized.</p>

3.2 Operational Inefficiencies

Audit observation	Comment of the management	Recommendation
<p>(a) An amount of Rs. 25,600,000 of prizes owned to the number of beneficiaries 128 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</p>	<p>Even though the draw has done, this type of situation could be occur according to the time duration of updating the data base. But the money not to be incurred in vain and all the balances of money is to be credited to the account, savings of money is to be launched for a special housing programme, accordingly activities had done in compliance with the vision and objectives of the Fund and updating the database monthly are to be done by the Information Technology Section.</p>	<p>Should be compliance with the existing system.</p>

period of time to draw again. Accordingly it could not be reached to the vision and objectives of the Fund by missing the winning chances to the considerable number of beneficiaries.

- (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.154,150,0,000 of prize of money could not be awarded to the 837 number of prize winning beneficiaries for 8 years from the year 2012 to 2019.
- An accurate data base is updated up to the date after 2020 and draws are to be done.
- Should be compliance with the existing system.
- (c) 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.
- According to the set of regulation of the Samurdhi Housing Lottery Fund, all the objectives of the Fund cannot be completed at the same time, accordingly more than 2000 houses are being given to the beneficiaries and low income earners and the objectives of the Fund have been completed.
- Action should be taken in accordance with the Financial Regulation to achieve the objectives of the Lottery Fund.

3.3 Utilization of Funds contrary to the objectives.

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 Rs56,600,000 had been made for 283 of non-beneficiary persons for building up houses for low income earners who should be paid special attention.	The District secretary, Director of District Samurdhi, Divisional secretaries, Head Quarters/Zones/of Bank Managers and Samurdhi Development Officers who have in charge of Wasam have recommended suitability to give a house by confirming the accuracy of information. Accordingly improving of the social security status of the beneficiaries can be seen in terms of regulations, and out of this procedure no house is given without approval.	Action should be taken only to achieve the objectives of the Fund.
(b) Contrary to the regulations of the Fund ,a sum of Rs. 18,688,000 had been paid in the year 2017 and 2018 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 an amount of Rs.241,625 had been incurred for inaugural programe which had been held with the participation of the Minister of the Ministry during the year under review.	Prizes are given related to the monthly draw of the Housing Lottery and in addition to this the Board of Housing Lottery Trust has decided if there is remaining amount of money to be taken for the construction of such houses, and there is no any harmful thing to the Fund and there was no misappropriation of money in any other way, according to the objectives, low income earners are to be own a house as well as the samurdhi beneficiaries, in many instances these low income earners are to be on subsidy waiting list, since it is impossible to give 26 persons this group has been consider as low income earners, expenses for ceremony have been incurred on the approval of the Fund and other than the fundamental needs, money is not spent on unnecessary expenses.	---do---

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit observation	Comment of the management	Recommendation
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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 dated 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 dated 28 August 2020. The financial statements of the year under review had been furnished 17 May 2022.	After auditing the financial statements in the year 2014 there was a delay in preparation and presentation of the financial statements for the year 2019, ,preparing of the financial statements of each year ,with amendments of the previous year were prepared and submitted for audit ,and after auditing the financial statements of 2018.	Action should be taken in terms of Financial Regulations.

4.2 Audit Committee

Audit observation	Comment of the management	Recommendation
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The audit observations in relation to Fund had not been discussed in the Audit and Management Committee meeting.	.Action to be taken to aware of relevant officers to discuss the audit observations related to this Fund in the future as mentioned in the observation.	Action should be taken in accordance with the instructions of circulars.