

Samurdhi Housing Development Lottery Fund - 2020

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Samurdhi Housing Development Lottery Fund for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 2020, 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 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.

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

Reference to the Laws, Rules and Regulations	Non-compliance	Comment of the management	Recommendation
Financial Regulations 876 (3)	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 terms of the Financial Regulations 876 (3) relevant reports and documents had given to the legal section and has been forwarded to the Department of Legal Drafting by the legal section of the Department of Samurdhi Development.	Action should be taken in accordance with the circulars.

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.527,156,143 and the corresponding surplus was Rs.466,554,238 for the preceding year. Accordingly a deterioration of Rs.60,601,905 had been indicated in the financial result. Increasing of operating expenses during the year under review had mainly attributed to this deterioration.

3. Operating Review

3.1 Management Activities

Audit observation	Comment of the management	Recommendation
An amount of Rs. 20,600,000 of prizes owned to the 103 number of lottery prize winners during the year under review 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	Updating of the data base has done by taking of name lists of beneficiaries by divisional level recently once in a month for Samurdhi housing lottery draw. Information of the beneficiaries should be updated by divisional level accordingly CRM module. For that instructions has been	Action should be taken to give wining prizes of the beneficiaries by updating the data base.

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. Accordingly winning chances had been missed to the considerable number of beneficiaries.

given to update CRM module monthly being aware of officers on the date of 2023/02/16 over the zoom technology under the chairmen ship of the Director General as per the audit query.

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 should be required to render to the Auditor General with a copy to the Department of Public Finance of the General Treasury within 02 months after the close of financial year, the financial statements of the year under review had been furnished for audit by the date of 12 December 2022.	The delay that mentioned in the paragraph 3.5 had been occurred due to the financial statements for the year 2020 were prepared and submitted for audit after auditing the financial statements of 2019.	Accounts should be presented within the relevant period as per the instructions of Financial Regulations and Circulars.

4.2 Budgetary Control

Audit observation	Comment of the management	Recommendation
A budget for the activities of the Fund had not been prepared in terms Financial Regulation 877 (1).	Verbal instructions had given to the subject manager to prepare the budget report from the year 2022 regarding the activities of the fund relating to the subject by the Chief Accountant of the accounts section. Accordingly budget report had been prepared relevant to the year 2022, 2023.	Budget should be prepared and presented during the relevant period in terms of Financial Regulations and as per instructions of the circulars.