

## **Divi Neguma Housing Development Lottery Fund - 2015**

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The audit of financial statements of the Divi Neguma Housing Development Lottery Fund for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended and 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 Divi Neguma 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**

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The 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**

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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 Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with 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 judgements, 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **2. Financial Statements**

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### **2.1 Opinion**

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In my opinion, 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 2015 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

### **2.2 Non-compliance with rules, regulations and management decisions**

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Action had not been taken to Legislate the Fund as per Paragraph 3.3 (b) of the Public Finance Circular No. PF / 423 dated 22 December 2006 and it is being functioned by now in accordance with the regulations approved by the Board of Management of the Fund.

## **3. Financial Review**

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### **3.1 Financial Results**

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According to the financial statements submitted, the financial results of the Fund for the year ended 31 December under review was a surplus of Rs. 42,450,354 and the corresponding surplus for the preceding year was Rs. 45,622,092 thus indicated a deterioration of Rs. 3,171,738 in the financial result of the year under review as compared to the preceding year. The decrease in income by Rs.3,691,509 had mainly attributed for this deterioration.

## **4. Operating Review**

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### **4.1 Performance**

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The following observations are made.

- (a) The database should be updated every month and the draw should be conducted in accordance with Regulations 17 and 19 of the Divineguma Housing Development Lottery Fund Regulations. However, although the draw for the year 2015 had been conducted in January 2016 using the number of 1,549,524 families as at 31 December 2012, the number of families who were benefited had been in between January to December 2015 ranging from 1,477,859 to 1,453,078 .
- (b) As a result of failure to update the database, it had been impossible to award the value of Rs. 20,700,000 won by 107 families who were not the beneficiaries and the 31 families whose information could not be found during the period from 2012 to 2015 and the value of prizes amounted to Rs. 21,450,000 won by 143 families due to other various reasons.

## **4.2 Management Activities**

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The following observations are made.

- (a) Since investments amounted to Rs.653,639,810 had been made in short term investments as at 31 December 2015, it was observed that the interest income that could have been obtained by investing in the long term had been deprived of.
- (b) Even though the salaries and other overhead expenses of the Departmental staff deployed on full time basis for the functions of the Fund were borne by the Government, actions had not been taken to formulate a methodology for the reimbursement of those expenses to the Government and to reimburse.

## **5. Accountability and Good Governance**

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### **5.1 Submission of Financial Statements**

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Although the financial statements should be submitted to the Auditor General within two months after the end of the financial year in terms of the State Accounts Circular No. PF / 423 dated 22 December 2006 the financial statements for the year under review had been submitted on 27 February 2020 , after a delay of 04 years.

### **5.2 Budgetary Control**

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A Budget and Action Plan had not been prepared in respect of the activities of the Fund in terms of Paragraph 4.1 of Public Finance Circular No. PF / 423 dated 22 December 2006.