

Development Lotteries Board - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Development Lotteries Board for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of comprehensive income, statement of changes in equity 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(1) 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 and Finance Act, No.38 of 1971. My comments and observations which I consider should be reported in Parliament appear in this report.

In my opinion, except for the matters described in Paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the Board as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in Paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). 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 Accounting Standards, and for such internal control as management determines 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 Board's 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 intend to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

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

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

1.4 Scope of Audit

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 Board'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 Board'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 Board 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 Board, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Board has complied with applicable written law, or other general or special directions issued by the governing body of the Board
- Whether the Board has performed according to its powers, functions and duties; and
- Whether the resources of the Board had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Internal Control over the Preparation of Financial Statements

The Board is required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that , transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Issues with regard to maintenance of key accounting records such as General Ledger, Journal and Journal vouchers, payment vouchers etc. may include under this heading.

1.5.2 Accounting Deficiencies

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
(a) A Cab costing Rs. 8,095,000 not physically belonging to the Board had been shown in financial statements as fixed assets.	The said Cab valued at Rs.8,095,000 had been purchased and registered in the name of the Board, despite the said vehicle not being owned by the Board and payments relating thereto had been made to the “United Motors.” As such, the cost thereof has been indicated under fixed assets having considered it as an asset of the institute. Further, legal action is being taken at present to recover the cost incurred for the said vehicle from the party who had taken away the vehicle.	As the asset is not physically available, action should be taken to recover the sum of Rs.8,095,000 from the party who had taken away the vehicle.

- (b) Even though a sum of Rs. 492,392 spent for a construction activity of a land not belonging to the Board, had been brought to account under lands and buildings, the said amount was observed as a sum receivable from the Tissamaharama Divisional Secretariat. As such, the value of property, plant and equipment had been overstated by the same amount whilst current assets as well had been understated by the same amount.
- Even though an attempt was made to recover the cost of Rs. 492,392 incurred for the said land, The Divisional Secretary, Tissamaharama had notified that there is no possibility of recovering the cost incurred for the development of a land owned by the Government. Accordingly, a Board of Directors' Paper was submitted at the 248th meeting of the Board of Directors held on 02 March 2021 to write off the said amount and the approval of the Board of Directors was received therefor. As such, action will be taken to write off the sum of Rs.492,392 in preparing final accounts of the year 2021.
- Action should be taken to obtain proper approval to write off the said amount.
- (c) As per Note No.11 submitted along with financial statements, the opening balance of the Provision for Depreciation of Motor Vehicles Account had been Rs.46,792,272. However, according to the detailed schedule made available to Audit, it had been Rs.48,480,633, thus observing a difference of Rs.1,688,361. However, reasons therefor had not been explained.
- It is agreed with the difference remained as at 01 January 2020 and that error has been rectified at the revaluation in the year 2020. As such, the balance as at 31 December 2020 can be confirmed as a correct value.
- Action should be taken to rectify the difference by looking into reasons therefor.
- (d) Even though a lawsuit instituted in court regarding the sum of Rs.1,266,631 payable to a private agency relating to an imported motor vehicle, had been concluded in the year under review, the liability therefor had been further indicated in the statement of financial position without eliminating from current liabilities.
- An additional amount of Rs. 8,095,000 at a rate of 10 per cent for 10 years was estimated at the end of the year 2018 as the interest on the sum of Rs. 8,095,000 payable to United Motors relating to a Cab bearing No. PB – 6024. However, the Administration Division had informed the Accounts Division by a letter on 10 March 2021 that only a sum of Rs. 6,828,369 had to be paid as interest therefor. Moreover, action has been taken to make over provision for legal charges in March 2021 and to account it accurately.
- Action should be taken to make rectifications in accounts of the year 2021.

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| (e) | Even though the loan balance as per the financial statements as at 31 December 2020 had been Rs. 1,246,717, that balance according to the schedule made available to Audit had been Rs. 1,096,717, thus observing a difference of Rs. 150,000. | It is agreed. The sum of Rs. 150,000 to be recorded as Employee Contribution has been recorded as Staff Loan Recovery Covid 19 and it has been rectified in accounts of the current year and no alterations whatsoever has been made in the final balance relating to Schedule No.1. | Action should be taken to make rectifications in financial statements of the year 2021. |
| (f) | Action had not been taken to identify the unidentified cheques and deposits valued at Rs.2,535,678 in 03 bank accounts as at 31 December 2020 and to make necessary adjustments in accounts. | Cash deposits made by sales distributors and sales agents for selling tickets and making other special payments in the Board, had not been identified properly, thus arising this problem. Action has already been taken to account unidentified deposits lapsed for 6 months, as other income of the Board. | Action should be taken to identify and rectify the unidentified deposits remained in 03 accounts. |
| (g) | Even though the balance in Withholding Tax Account payable as at 01 January 2020 had been Rs.36,259,336, provision for December 2019 had been Rs.35,900,655. Reasons for the difference of Rs.358,681 in the opening balance had not been explained and the same difference had remained even at the end of the year under review. | It is agreed. Further action will be taken to rectify it. | Action should be taken to rectify in the year 2021. |

1.5.3 Unreconciled Control Accounts or Records

The following observations are made.

Item	Value as per Financial Statements Rs.	Value as per correspondi ng records Rs.	Difference Rs.	Comments of the Management	Recomme ndat ion
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(a) Stock of Items of Prizes	12,132,050	10,587,138	1,544,912	It is agreed. Prizes in the Accounts Division and stores and items in promotion stock ledger are quantitatively accurate and there are variances in values thereof. Values of stocks of items in financial statements are computed according to	As it is agreed with observations, action should be taken to rectify.

the FIFO Accounting Policy.

(b)Printing cost on Lottery Tickets	451,308,013	448,978,201	2,329,812	<p>Information on number of instant lottery tickets printed in the year 2020 has been made available by the Procurement Division at the request of the Audit. However, it has been included in the cost of total instant lottery tickets sold in the year 2020, in the financial statement. Accordingly, stocks of lottery tickets printed in the preceding year had been sold at the cost of tickets printed in the year 2020. As such, the said printing cost has taken a high value than the cost of tickets printed in the year 2020, provided by the Procurement Division.</p> <p>The printing cost of Sasiri Lottery Tickets has been indicated as Rs.00.46 in the report submitted by the Procurement Division and it should be corrected as Rs.00.49 and moreover, the cost of lottery tickets printed relating to lottery tickets sold through the Sweep App has not been included in the said report.</p> <p>As pointed out by the Audit, a change has occurred in cost due to aforesaid matters. As such, the report submitted by the Finance Division is correct and it is requested to consider reports submitted by the Accounts Division on accrued basis, for financial audit in future.</p>	Action should be taken to rectify the difference of the year 2021.
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1.6 Accounts Receivable and Payable

1.6.1 Receivables

The following observations are made.

<u>Audit Observation</u>	<u>Comments of the Management</u>	<u>Recommendation</u>
(a) It was observed that action had not been taken for a period of 15 years by the Board to recover the total sum of Rs.5,700,000 comprising the Rs.723,780 paid as a deposit and Rs.4,976,220 which is a part of the rental paid for those years, since the Board had ex-parte breached the agreement entered into for getting the building located at No. 234 on Vauxhall Street on rental basis since October 2006.	A committee was appointed by the Secretary to the Ministry of Finance to make recommendations regarding the recovery of Rs. 5,700,000 recoverable to the Board for getting the building located at No. 234 on Vauxhall Street on rental basis or regarding the writing off of the said amount. The said Committee had met 04 times and held lengthy discussions thereon and submitted the final report thereon to the Secretary to the Ministry of Finance by now. Therefore, action will be taken in accordance with instructions given by the Secretary to the Ministry of Finance in future.	Action should be taken to recover the relevant moneys.
(b) The judgment of the case filed before 23 years requesting for the recovery of a deposit of building rental amounting to Rs. 2,520,000 in terms of the lease agreement entered into in the year 1990 with a person at Ward Place, had been received on 11 January 2016. According to the said judgment, the aforesaid amount should be recovered. However, action had not been taken to recover the relevant amount despite having lapsed a period of nearly 05 years after receiving the judgment.	Legal action has already been taken for the recovery of Rs.2,520,000 recoverable to the Board in terms of the Lease Agreement entered into in the year 1990 with a person at Ward Place. The District Court where the case was filed has informed that the progress of legal proceedings will be notified to us in future and therefore, further action will be taken as per the judgement given by the Court.	Action should be taken to recover the relevant moneys.
(c) A total sum of Rs. 3,626,727 comprising Rs. 2,877,144 at 03 times in the year 2013 and Rs. 749,583 in the year 2014 had been paid as advances for consultancy fees to the Archtype Institute. It was observed that action had not been taken to	An advance of Rs. 3,626,727 has been paid to the Archtype Institute in the year 2014 for preparing plans and architectural activities required for modernization of buildings. However, it has been subsequently decided to discontinue the said modernization activities. The Commission to Investigate Allegations	Action should be taken to recover moneys from the relevant institution.

recover the said amount retained with an external party for a period of 7-8 years.

of Bribery or Corruption has obtained originals from our files to conduct an investigation in that connection and further action will be taken according to measures taken by the Commission to Investigate Allegations of Bribery or Corruption at the end of said investigation.

- (d) Even though a sum of Rs.8,296,082 had been indicated in the statement of financial position as debtor distributors, no amount whatsoever of that balance had been recovered during the year under review. It was observed in audit that the said balance had included loan balances of Rs. 6,555,851 of one year old, Rs.1,469,695 of 2 years old and Rs.270,536 older than 2 years.

According to the audit query, the balance of Rs.6,555,851 indicated as sales distributors loan balances of one year old, is not a balance of one year old but the balance made due to purchase of lottery tickets during year of operations.

Out of these arrears covered by bank sureties, all other loan balances except for the balance of Rs.1,342,756,48 of the sales distributor, R.J.L. Gunasena have been recovered by the Board by now and further, action has been taken by the Board to recover the said balance of the sales distributor by cancelling bank sureties. Moreover, legal action as well has been taken thereon.

Moreover, loans indicated in the audit query as loan balances of 2 years old are the loan balances brought forward from the year prior to the year of preparation of financial statements while those loan balances too are covered by bank sureties. Out of these arrears in loan amounts, all other loan balances except for the loan balance of the Sales distributor, Gunaseana Rankothge, have been already recovered by the Board. Further, the Board has taken action to recover the said arrears in balance by cancelling the bank sureties of the sales agent and necessary legal action as well has been taken thereon.

Moreover, the loan balance of Rs.270,536 older than 02 years are the loan balances belonging to three sales distributors and out of that, legal action is being taken to recover the loan balance of Rs.263,607.05 of the sales distributor, A.H. Weerakoon.

Moreover, the sales agent, P.D.J. Perera has been informed in writing to settle the sum of Rs.825 with immediate effect,

Action should be taken to recover old loan balances recoverable.

recoverable from him to Board, while action is being taken to write off the sum of Rs.6,104.15 from accounts, recoverable from the sales agent, Mr. J.W. Chandana Jayalal. In case of non-receipt of moneys recoverable, mentioned therein, further action will be taken to write off them as bad debts by referring to the Board of Directors.

1.6.2 Advances

Audit Observation	Comments of the Management	Recommendation
An advance of Rs.202,800 had been paid to an institution and three persons in the year 2014 for accommodations for the Deyata Kirula Programme-2015 and it was observed that the said sum had been shown in accounts as a payment of advance without settling for 7 years.	An advance of Rs.202,800 had been paid to an institution and three persons in the year 2015 for supplying accommodations for the Deyata Kirula Programme. Even though they had been informed in writing on several occasions for the recovery of money so paid, those moneys have not been paid so far. Moreover, action is being taken to recover the said amount and in case of failure to recover, necessary action will be taken by referring that matter to the Board of Directors.	Action should be taken to settle advances.

1.7 Non-compliance with Laws, Rules, Regulations, Management Decisions etc,

Reference to Laws,Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommen dation
(a) Section 17(5) of the Development Lotteries Board Act	The proceeds of prizes which has not been awarded to the person entitled thereto and expired the period of 06 months, shall in the first instance be credited to the Fund and subsequently to the President's Fund. However, it was observed that action had not been taken to credit the proceeds of 162 goods relating to 11 items of prizes costing Rs.1,428,172 which had expired the period of 06	Additional prizes for any promotional activity are purchased by using the Prize Reserve Account and in case prizes are not won by any person even after the expiration of a period of 06 months, the Attorney General' Department has informed that such prizes will be suitable for further promotional activities. As such, action has been taken to use such items for further	Action should be taken in terms of the relevant Section of the Act.

months as at 12 February 2020, to the President's Fund. promotional activities without being sold.

(b) Establishments
Code of the
Democratic Socialist
Republic of Sri
Lanka

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| i. Section 10.1 of Chapter VIII | In the case of an officer who has extensive travelling to perform in the ordinary course of his duties, the Head of an institution has authority to approve the commuted allowance. However, instead of that, the Board had paid a sum of Rs.2,835,356 as fuel and other allowances to 9 zonal managers for a period of 07 months. | Zonal Managers will be paid an allowance of Rs.40 per 1km for fuel and the vehicle with the approval of the Board of Directors, for using their own vehicles while travelling to field duties. Moreover, the Ministry of Finance has approved a subsistence allowance for accommodation at night while reporting to field duties and the aggregation of the said allowance and the allowance paid at a rate of Rs.40 per 1km, is the total value mentioned by the Auditor. | Action should be taken to make payments according to the Establishments Code. |
| ii. Section 8 of Chapter XIV | Even though only a sum of Rs.12 per 1 km can be paid for the vehicle used by officers in public institutions, who are on field duties, the Board had paid at a rate of Rs. 40 per 1 km for sales managers. | Zonal Managers are paid a sum of Rs.40 per 1 km for using their own vehicles on field duties and maintenance of vehicles and all other expenses should be incurred by Zonal Managers and as such, the said rate has been paid with the approval of the Board of Directors. In case of hired vehicles, a sum of Rs.40 had to be paid per 1 km for a vehicle obtained on hire basis at the current market and as such, the said rate had been paid to Zonal Managers for using their own vehicles. | Action should be taken according to the Establishments Code. |

(c) Financial
Regulations of the of
the Democratic
Socialist Republic of
Sri Lanka

i. Financial
Regulation 381

Application to open an official bank account should be made to the Treasury (Department of State Accounts) and approval therefor be obtained. However, approval had not been obtained accordingly for 11 current accounts operated in 02 state banks and 02 private banks in the name of Development Lotteries Board. Those current accounts had been opened only on the approval of the Board of Directors.

The Development Lotteries Board is an independent institution which consists of a Board of Directors, under the purview of the Ministry of Finance. In case the Board requires to open a bank account for any official purpose, opening and maintaining the said account in a state or commercial bank by submitting required drafts to the Board of Directors and obtaining approval therefor, is the process carried out so far. Eleven (11) accounts mentioned in this audit query are the accounts opened as per the said process. Moreover, as the said Board of Directors of the Development Lotteries Board consists of a Director representing the Ministry of Finance, these accounts have been opened after obtaining formal approval of the Board members including the said Director.

Action should be taken in terms of Financial Regulations.

ii. Financial
Regulation
395(c)

Every institution which maintains a bank account should prepare a Bank Reconciliation Statement as at the end of each month, before the 15th of following month. However, it was observed in 3 instances that there were delays in the preparation of bank reconciliation statements by the Board.

Action will be taken to complete all bank reconciliations within the due period and to prepare statements within 10 days after closure of the relevant month.

Action should be taken to prepare and submit bank reconciliation statements in terms of Financial Regulations.

iii. Financial Regulation 756 (5) (a)	Even though 80 unserviceable goods relating to 08 prizes and promotional items valued at Rs.49,495, owned by the Board had been identified as at 31 December 2019, those items had not been recorded in the Form General 47.	It is agreed. Necessary action will be taken to record these identified unserviceable items as per books and Ledger and Form General 47 at present.	Action should be taken in terms of Financial Regulations.
(d) Section (2) of Public Enterprises Circular No.02/2018 of 14 November 2018	Outside State banks, moneys owned by the Board as at 31 December 2020 amounting to Rs.5,486,920 had been deposited in a private bank account and thereby invested in Treasury Bills.	This account has been opened with a view to facilitating the daily deposits of District Sales Agents. It will be decided whether this account will be further operated by observing number of deposits made in future.	Action should be taken in terms of Public Enterprises Circular.
(e) Provisions of the Finance Act, No.38 of 1971 and Section 03 of Public Enterprises Circular No.02/2018 of 14 November 2018	The approval granted by the Minister to invest the balance of Rs. 206,987,668 as at 31 December 2020 in bank savings account and to invest Rs. 62,184,487 in a seven-day call deposit account, had not been made available to Audit.	The current procedure is forwarding to the Board of Directors and obtaining the approval therefor. The necessary approval therefor has already been obtained and action will be taken to forward to the Ministry of Finance and to obtain the approval thereof as pointed out by the audit query.	Investments should be made by obtaining proper approval.
(f) Section 5.2 III of Budget Circular No.142 of 31 December 2008 of the Ministry of Finance and Planning	It was observed that a sum of Rs. 10,011,540 had been paid to 144 officers by the Board as distress loans exceeding Rs. 250,000.	Distress loans have been granted for motivation of officers from the inception of the Development Lotteries Board up to now. under this procedure	Action should be taken in terms of the Circular.
(g) Paragraph 9.12 of Public Enterprises Circular No.12 of 02 June 2003	Any welfare scheme adopted by an enterprise should have the approval of the Department of Public Enterprises, General Treasury. Even though the Board had taken action to grant a loan equal to the basic salary in line with the distress loan to avoid the	The operations of the Board had not been carried out due to lock down of the country from 18 March 2020 to 12 May 2020 at the first outbreak of Corona Virus. As such, the staff members had made a request for a loan advance as their lives had disrupted due to the loss of	In granting loans, approval should be obtained in terms of circulars.

unfavourable economic income. Nevertheless, the condition arisen due to Corona pandemic, it was observed that the approval of the Department of Public Enterprises had not been obtained therefor. However, the Board had to pay an amount less than the advance requested, that is, an amount equal to the basic salary due to continuous requests and serious objections made by them and approval of the Board of Directors was obtained therefor. All moneys relating to the advance granted, have been recovered by now. However, in granting the said advance, the approval of the Ministry of Finance or Department of Public Enterprises has not been obtained. However, it has been decided not to grant such advances herein after.

- (h) Section 5.2.5 of Public Enterprises Circular No. PED/12 of 02 June 2003
- Even though a copy of the updated budget with the approval of the Board of Directors should be forwarded to the Auditor General not later than 15 days before the commencement of the ensuing year, it had been submitted only on 16 July 2020 by the Board for the year under review.
- It is agreed. There was a delay in approving the budget – 2020 due to political changes occurred during the latter part of the year 2019 and non-appointment of a Board of Directors of the Board. However, the budget of the year 2021 has been forwarded to the Auditor General on 12 December 2020.
- Action should be taken in terms of the Circular No. PED/12.
- (i) Letter No. MF/06/20/Common/2017 of 03 October 2017 of the Chief Accountant of the Ministry of Finance and Mass Media
- Even though it had been informed that in case of purchases made deviating from the Procurement Plan, prior approval of the Secretary to the Ministry should be obtained therefor and it should be justified properly, procurements valued at Rs.15.4 million had been carried out
- A Board of Directors' Paper has been forwarded in December 2020 for revising the Procurement Plan pertaining to the said purchases not included in the Procurement Plan and it has been approved by the Board of Directors on 27.01.2021.
- Procurement activities should be carried out by obtaining the prior approval.

deviating from the Procurement Plan of the year 2020 of the Board without obtaining prior approval accordingly.

2. Financial Review

2.1 Financial Results

The operations for the year under review had resulted in a profit of Rs. 3,018,654,911 as compared with the corresponding profit of Rs. 2,668,792,667 for the preceding year, thus observing an improvement of Rs. 349,862,244 in the financial result. Decrease in payment of income tax and prizes and decrease in expenditure had mainly attributed to the said improvement.

2.2 Trend Analysis of major Income and Expenditure Items

The following observations were made in comparing the major income and expenditure items of the year under review with the preceding year.

- (a) The income from sale of tickets had decreased in the year under review by Rs. 2,032,384,652 representing 12 per cent as compared with the preceding year while other income of the Board had dropped by Rs. 35,496,364 representing 18 per cent in the year under review as compared with the preceding year.
- (b) The expenditure on prizes in the current year had decreased by Rs. 1,200,979,164 representing 13 per cent as compared with the preceding year while the expenditure on lottery draws in the year 2020 had decreased by Rs. 74,091,096 representing 13 per cent.
- (c) The distribution cost had decreased by Rs. 861,770,154 representing 20 per cent in the year under review as compared with the preceding year. The decrease in marketing related cost by Rs. 37,786,734 representing 86 per cent, decrease in publicity cost by Rs. 202,715,432 representing 62 per cent and decrease in distribution cost by Rs. 266,152,929 representing 63 per cent had attributed to the said decrease.

2.3 Analysis of Ratios

An analysis of ratios indicating operations, profitability and liquidity of the Board for the year under review and the preceding year, appears below.

	2020 -----	2019 -----
<u>Operating Ratios</u>	Per cent	Per cent
Sales and distribution expenditure to the sales income	22	25
Sales cost to the sales income	58	58

Profitability Ratios

Gross Profit Ratio	42	42
Net Profit Ratio	20	16
Sales and Distribution Expenditure Ratio as a percentage of Total Expenditure on Operations	87	89
Ratio of recalling of prizes from the Net Profit	11	13
Income Tax Ratio to the Net Profit	0.4	9

Liquidity Ratio

Current Ratio	1:1.66	1:1.63
Quick Ratio	1:1.64	1:1.6

The following observations are made.

- (a) The decrease in sales and distribution expenditure of the Board in the preceding year and the year under review from 25 per cent to 22 per cent of the sales price was observed.
- (b) Out of the net profit earned by the Board in the year under review, 11 per cent itself had been represented by recalling of prizes to be awarded to customers. This percentage indicated a value of 13 per cent in the preceding year and it was observed that the income tax ratio to the net profit had been a low value of 09 per cent and 0.4 per cent in the preceding year and the year under review respectively.
- (c) The Decrease in the sales cost by Rs.1,283,859,397 representing 13 per cent in relation to the decrease in income from sale of lottery tickets by Rs.2,032,384,652 representing 12 per cent in the year under review as compared with the preceding year had attributed to a steady level of 42 per cent in the gross profit ratio.
- (d) The current ratios in the preceding year and the year under review had been 1.63 and 1.66 respectively. Accordingly, it was observed that the current assets ratio of the Board had been at a weak level and as such, it was observed that the attention of the Board had not been drawn towards the management of the working capital even in the year under review.

3. Operating Review

3.1 Uneconomic Transactions

Audit Observations	Comments of the Management	Recommendations
(a) The Procurement Committee had granted approval on 18 April 2008 to purchase a Double Cab valued at Rs.8,095,000 from a private	Necessary legal action is being taken presently to recover the total value of the Cab amounting to	Action should be taken to recover the relevant amount in case of failure in obtaining the vehicle.

institution and the said vehicle had not been received to the institution. Subsequently, the Board had rejected the request for payment made by the said institution. As such, a lawsuit had been instituted against the Board in the year 2009. The judgement had been passed in favour of the private institution. The Board had incurred an expenditure of Rs.16,842,554 therefor.

Rs.16,842,554 from the parties who had taken away the said vehicle.

(b) Promotional items had been purchased without proper planning. As such, promotional items valued at Rs.3,623,367 including umbrellas (male), T- shirts, solar lamps, caps, porcelain sets and water filters had been kept in the stores. It was not observed whether an adequate internal control system is maintained on the level of re-order of promotional stocks of the Board.

A large quantity of the said stocks was ordered prior to the prevailing Corona pandemic and as the promotion programmes, meetings of sales agents etc. were cancelled, the said items had remained in the stores.

Action should be taken to distribute promotional items in the year of purchase itself as planned.

(c) The Board had decided at the meeting held on 24 October 2019 for discussions on the arrangement of prizes in tickets, to use prizes remaining in stores, lapsed for a period of 06 months which had been unclaimed for winnings, at upcoming draws. Accordingly the Deputy General Manager (Sales) had been instructed to make necessary arrangements for providing 02 motor bicycles valued at Rs.529,850 purchased in the year 2018 and provide them as prizes at the Lagna Wasana special draw in February 2020 and as a prize for the instant lottery introduced to the market in December 2019. However, it was observed at the physical examination that the said 02 motor bicycles had remained in the stores even by 12 February 2021, the date of audit.

The said two motor bicycles had been included in the upcoming instant lotteries. However, the sale of instant lotteries was at a very low level during the recent past due to the prevailing Covid pandemic in the country. Those lotteries are due to be issued to the market in future.

Action should be taken to include as prizes for future instant lotteries.

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| <p>(d) It was observed that 123 gift vouchers valued at Rs.592,500 had been retained by the Board during a period of 12 years without being made use of. Seven vouchers valued at Rs.7,500 out of those, had expired as at 31 August 2019. Moreover, there were 117 vouchers of Rs.5000 valued at Rs.585,000 on which the date of expiry was not mentioned. Moreover, as they were vouchers purchased in the year 2009, a period of 12 years had lapsed after purchase. As such, the ability of making use of these vouchers in awarding of prizes in future was uncertain in audit.</p> | <p>Discussions with Sathosa for updating the vouchers to the value mentioned herein were led by the Secretary to the Ministry of Trade. As relevant information was not available with Sathosa, all relevant information thereto was provided by the Development Lotteries Board. Accordingly, the Ministry of Trade had informed Sathosa in writing to take action to repay the said amount to the Development Lotteries Board. It is due to be received to the Board in future.</p> | <p>The said amount should be obtained by the Board.</p> |
| <p>(e) A sum totalling Rs.1,583,594 comprising Rs.1,336,676 and Rs.246,918 had been spent respectively in the year 2018 for the lunch room and store room included in the Work-in-Progress Account. No expenditure whatsoever had been spent therefor in the years 2019 and 2020 and it was also observed that action had not been taken to account the cost of assets and to depreciate them if works are completed.</p> | <p>A sum of Rs.1,583,594 had been spent for preparation of plans for constructing the lunch room and the store room. However, the said activities had not been completed up to now. As such, the said amount has been included in the Work-In-Progress Account. After completing those purposes, action will be taken to depreciate by identifying as an asset.</p> | <p>Action should be taken to complete the activity and to identify as an asset.</p> |

3.2 Identified Losses

Audit Observation	Comments of the Management	Recommendation
<p>(a) The guarantee period of 08 mobile telephones and 04 tabs valued at Rs.548,224 among items of prize had lapsed two years after purchase. Moreover, it was observed at the physical examination that 02 mountain bicycles and a wooden television stand valued at Rs.32,510</p>	<p>Necessary action is being taken to dispose of these items under a proper disposal process.</p>	<p>Disposal should be carried out with approval.</p>

was in an unusable condition. Even though 03 telephones, 04 tabs and 02 Mountain bicycles had been identified for sale by the Board of Survey of the year 2019, it was observed that the recommendation thereon had not been implemented even by 12 February 2021, the date of audit.

- (b) The percentage of total remaining tickets of the Board stood at 0.2, 24.01, 10.41, 7.57 and 14.1 for the years 2016, 2017, 2018, 2019 and 2020 respectively. According to these percentages, it is clear that the percentage of tickets remaining without being sold had largely increased during the past period. The expenditure on printing tickets remained during the first 7 months of the year 2020, had been Rs.18.1 million.
- As compared with the years 2017, 2018 and 2019, a very low percentage of returns was reported in the first quarter of the year 2020 and it had been reported as 7 per cent and 4 per cent in the months of January and February respectively. Nevertheless, subsequently a high percentage of returns was reported due to the Covid pandemic and as such, a high percentage of returns had been indicated in the said year.
- Action should be taken to maintain return of tickets at a minimum level.
- (c) The Administrative Division has been assigned with the auction of 119 goods relating to 10 promotional items valued at Rs.505, 407 in unusable condition which had remained unused in stores since before the year 2016. Moreover, a sum of Rs.38,954 had been earned in the year 2020 by auctioning 76 goods relating to 07 items out of the said items valued at Rs.325,569. Accordingly it was observed that a loss of Rs.286,615 representing 88 per cent had occurred to the Board due to unused promotional items.
- It is the normal practice to refer items disposed and expired, to the disposal process. Accordingly, it is not practically possible to sell the said items at the cost price. As such, it is informed that a profit cannot be earned by disposal of the said goods.
- Action should be taken to provide promotional items in the year itself they were purchased.
- (d) An expenditure of Rs.41,122,828 had been incurred in the year under review on printing of 5,938,989 tickets remained in the stores and 83,323,876 tickets remained without being sold.
- A large stock had remained due to lock down of the country and obstacles to sale as a result of the unexpected Covid pandemic prevailed in the country from March 2020.
- Orders should be placed according to a plan.

Accordingly, action has been taken this year to place orders in a well-planned manner in facing the said situation successfully.

3.3 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) The performance appraisal of the staff should be carried out annually as per Section 9.6 of Public Enterprises Circular No.PED/12 of 02 June 2003 and in Public Administration Circular Nos.7/98, 8/98 (I) and 8/98 (II). However, the Board had not taken action accordingly.	It has been decided to formulate a proper system for performance appraisal of the staff and accordingly, KPI (Key Performance Indicators) are being determined by now. As such, it has been planned to implement same from the year 2022.	Action should be taken in terms of circulars.
(b) Action had not been taken to close or take any other step relating to the Bank of Ceylon seven day call deposit account bearing No.2695680 remaining inoperative from December 2018.	Action will be taken to close the presently inoperative call deposit account bearing No.2695680.	Action should be taken to close or take any other step thereon.
(c) In the comparison of motor vehicles owned by the Development Lotteries Board with each motor vehicle registered in the Department of Motor Traffic, it was observed in audit that 37 motor vehicles registered in the Department of Motor Traffic in the Board's name, are not included in the Register of Fixed Assets of the Board.	Motor vehicles owned by the Development Lotteries Board had been sold in the respective periods by calling tenders through a formal disposal process and the ownership thereof as well has been transferred properly to the buyers. However, it is observed that the parties who made the purchases have not referred the motor vehicles to the Department of Motor Traffic for re-registration in their names. This is an act beyond the control of the Development Lotteries Board. Nevertheless, in the disposal of motor vehicles in future, permission will be granted to take the said motor vehicles out of the Board after the buyer registers the motor vehicle in his name.	The Department of Motor Vehicles should be notified to remove motor vehicles under the name of the Board which do not physically exist, from the system.

(d) The Development Lotteries Board had not prepared a set of Procedural Rules for administrative and operational affairs since its inception and a qualified person had been appointed in the year 2016 for that purpose. The relevant party had studied the existing rules and regulations and prepared the relevant Procedural Rules and handed over to the Development Lotteries Board on 14 October 2019. It had been agreed to pay Rs. 4,500,000 to the relevant party for this purpose and Rs.1,700,000 of that amount had already been paid. Although he had submitted the relevant Procedural Rules to the Board in two sections, the payment of the balance had been suspended citing the reasons that the relevant Procedural Rules had been prepared in non-compliance with the existing procedures of the Board. The Board had informed the party involved in drafting the Procedural Rules to suspend the preparation of rules for "lottery and lottery draws, internal control and auditing" contained in the agreement signed for this purpose. Accordingly, the relevant work had not been completed as yet and it was observed that the money spent thereon was an uneconomic transaction. It was also observed in audit that there was a legal risk regarding breach of terms of the agreement signed for this purpose and the balance payable.

A qualified person has been appointed for preparation of a set of Procedural Rules for the Development Lotteries Board. Accordingly, he has drafted certain sections and submitted to the Board in terms of the agreement. After submission of those sections drafted by him to the Board of Directors, the opinion of the Board of Directors was that a major percentage of sections prepared by him comprised the Establishments Code and the Financial Regulations. As such, instructions were given to draft again in keeping with the requirements of a business institution and to submit to the Board of Directors. Therefore, the relevant resource person has discussed with the Board in this connection on several occasions and it is being drafted again at present. Future action will be taken on instructions given after referring the sections drafted again, to the Board of Directors.

Action should be taken by the Board to achieve expected objectives.

3.4 Operating Inefficiencies

Audit Observation

(a) Forty per cent of the income from sale of tickets sold by sales promotional vehicles has been incurred as cost and accordingly, the sales cost of a Rs.20 ticket was Rs.8.00. If the stocks of tickets sold by sales promotional vehicles in this manner were sold by sales agents through the normal process of selling tickets, an additional

Comments of the Management

Customers have diverted from instant lotteries to drawn lotteries due to market competition and the large number of availability in drawn lotteries. Accordingly, a great effort should be made for sale of instant lotteries and no expenditure is incurred on advertising therefor as well.

Recommendation

Action should be taken to increase the sale of instant lotteries.

income of Rs.27,629, 085 could have been earned. As such, it was observed in audit that the Board had failed to earn a profit commensurable with the cost incurred for sale of tickets by sales promotional vehicles.

As such, sales promotional vehicles are used as a promotional technique in the sale of instant lotteries and thereby increasing sales. Even though the profit margin earned from this is low, sales promotional vehicles have been used as a marketing technique in the sale of instant lotteries.

(b) In instances where problems arise due to errors such as tickets provided by the Board remaining with Distribution Sales Agents by the time of draws relating to lotteries drawn daily and failure in issuing lotteries with correct bar codes according to relevant invoices by the sub stores, there were instances in which the said tickets had been entered into the computer system, considering as sales of the relevant agent. The approval of the Assistant General Manager (Finance) had been granted therefor. Moreover, the Assistant General Manager, himself (Finance) had carried out activities such as withholding prizes relating to bar codes of the said tickets, release thereof afterwards and repayment of monies to agents after obtaining a written request from the relevant agent after the draw without formal approval. Moreover, 13 such instances were observed during the year 2020 and the sales value thereof amounted to Rs.307,861.

The railway and buses are used in the transport of lottery stocks to Distribution Agents. In certain instances, those lottery stocks get misplaced in trains or buses. In such instances, those lottery stocks are recorded as transactions in the names of relevant Distribution Sales Agents, considering as sold by them. The relevant monies are credited again to the accounts of Distribution Sales Agents after written confirmation on receipt of respective stocks by them.

Distribution of tickets should be systematized and receipt of tickets to Sales Agents should be confirmed.

However, after having been pointed out by the Audit Unit on the above process, the said stocks of tickets is not brought to account as sales after confirmation from Distribution Sales Agents that the said stock of tickets had been misplaced on the day following transportation to the Distribution Sales Agents. Therefore, such a problem would not arise hereafter.

(c) The number of additional tickets ordered during the year was 31,779,000 while the number of tickets remained in stores without being issued was 1,255,570. It represented 4 per cent and in the “Ada Kotipathi” ticket, it had taken a high percentage as 6 per cent. It was observed in audit that additional orders for tickets are not placed, under proper management.

The reason for the remainder of 1,255,570 tickets as pointed out by the Auditor, was due to stocks remaining in stores as Sales Agents of areas isolated as a result of the COVID outbreak in the year 2020, could not take the tickets away.

Confirmation should be obtained on sales when placing orders for additional tickets.

- (d) The Management Assistant of the main stores had reported to the top level management by Letter No.DLB/FIN/MStores/4-4 of 29 January 2020 that 281,000 tickets had been received to the stores relating to several draws in December 2019 and January 2020 without placing an order. Accordingly, it was observed in audit that steps such as placing orders for tickets, taking over tickets ordered to the stores and obtaining tickets through additional orders, are not taken according to a proper system. Further, 4 per cent or 1,255,570 tickets of the amount of tickets ordered during the first 7 months of the year 2020, had remained due to the said reason.
- The printer of tickets had supplied an additional amount of tickets exceeding the order placed by the Board. However, Goods Received Notes (GRN) had not been issued and payments as well had not been made therefor.
- Necessary action should be taken by making the printers aware on sending tickets without placing orders.
- (e) In consideration of the period from March to July in the year 2020, it was observed in audit that the sales income of the Board had dropped by Rs.3,124,722,840 representing 45 per cent in the year 2020 as compared with the year 2019 due to COVID outbreak.
- It is agreed. This is a matter common to every business sector in the island.
- Techniques should be employed to improve sales income.
- (f) According to recommendations made by the Procurement Committee on 30 January 2020, orders for goods had been issued to the successful bidder on that day itself for supply of scooters for the Super Ball special draw. However, in terms of Guideline 8.7.1 (b) of the Procurement Guidelines, the Letter of Acceptance which should be issued within the validity period of the bid, no sooner the final determination of contract award is completed, had not been issued to the relevant supplier. Action had not been taken to submit performance securities and enter into contract agreements in terms of Guidelines 5.4.10 and 8.9.1 of the Procurement Guidelines respectively.
- Awarding of bids had not taken place at once as in a normal purchase and these motor bicycles had been purchased by submitting orders for goods from time to time according to winners being present. Action has been taken thereon so as to minimize difficulties by purchasing motor bicycles at once and keeping them in stores.
- Action should be taken in terms of the Procurement Guidelines.

3.5 Underutilization of Funds

Audit Observation	Comments of the Management	Comments
A sum totalling Rs.270,749,417 owned by the Development Lotteries Board as at 31 December 2020, had been retained in 06 current accounts without using for any effective purpose.	These are monies collected for awarding of prizes and they are retained in seven day call deposit accounts without retaining in our current accounts. An additional income is generated to the Board by retaining monies in seven day call deposit accounts in such manner. Moreover, according to requirements of the Board and as the number and instance of winners presenting themselves is unknown, those monies are retained in seven day call deposit accounts as mentioned above, without even retaining as short term investments.	Monies retained in current accounts should be used for effective purposes.

3.6 Idle or Underutilized Property, Plant and Equipment

Audit Observation	Comments of the Management	Recommendation
Seven motor bicycles costing Rs.1,352,610.58 used by Sales Promotion Officers had been parked in the car park of the office premises over a period of 02 years and 11 months without being made use of.	Seven motor bicycles used by Sales Promotion Officers are parked in the car park of the Head Office. Arrangements have been made to dispose of them as a large cost is incurred for repairing the said motor bicycles. Accordingly, action will be taken to dispose of them through a proper disposal procedure.	Action should be taken to dispose if not in usable condition.

3.7 Procurement Management

Audit Observation	Comments of the Management	Recommendation
(a) The double wheel crew cab without rear body purchased in 2018 at Rs.5,565,000 had been handed over to a private institution on 18 October 2018 in order to be modified as a sales promotional vehicle. Even after a lapse of over 2 years by 30 December 2020, the expectations of the Board had not been met. Specifications had been prepared	All modifications relating to this promotional vehicle have been completed and it had been handed over to the Board by the relevant institution. Purchase and fixing of LED screens necessary for the said vehicle have been carried out on technical instructions of the Rupavahini Corporation.	The respective vehicle should be used for achievement of objectives of the Board.

and quotations had been called for without following Guideline 2.6 of the Procurement Guidelines and the said vehicle had been modified without approval of the institution of purchase. Furthermore, owing to matters such as expiry of the warranty period of one year of the items purchased for that work, neglecting the security of the assets and the accessories thereof and expiry of the validity period of the performance bonds, it was observed in audit that the said operation proposed for a cost of Rs.11,991,900 remained questionable.

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| <p>(b) Printing of lotteries which is one of the main functions of the Board, had not been carried out according to a proper procurement plan from the year 2017 and the procurement process had been commenced after reaching the end of the current period of agreement. Normally, the procurement process is carried out for about 06 months and as such, the current period of agreement as well had been extended for a period between 06 and 08 months. Only two printing institutions had been selected therefor from 01 August 2017 up to now.</p> | <p>Procurement activities of printing tickets relevant to the year 2020/21 had been planned to be commenced on 15 March 2020 and those activities had been commenced from 01 June 2020. The country was locked down from 16 March to 11 May 2020 due to the COVID outbreak in the country and office duties were recommenced on 11 May 2020. The said procurement activities have been commenced on 01 June 2020 and it is informed that those activities have been commenced on the earliest day possible.</p> | <p>Lottery procurements should be carried out according to Procurement Guidelines.</p> |
| <p>(c) In terms of Guideline 2.14 of the Procurement Guidelines, when the total value of the procurement exceeds Rs.250 million, the procurement process should be carried out by the Ministerial Procurement Committee or a the Procurement Committee appointed by the Cabinet. However, it was not observed whether any attention had been paid thereon by the Board. Even though the estimated expenditure on printing for the year 2020/2021 was Rs.422 million, it had been reported that the said procurement can be carried out within the approved financial limit of the Departmental Procurement Committee</p> | <p>In printing 07 types of lottery tickets for draws by the Board, the selection of a supplier for printing and supplying one type of lottery ticket had been considered as a single procurement and bids had been invited therefor. Moreover, bids relating to each type of lottery are evaluated separately. In case of selecting one supplier for supplying all lotteries in the invitation of bids considering as a single procurement relating to supply of all types of lotteries, the Board will have to face a printing risk as a result. The risky situation</p> | <p>- do -</p> |

indicating as 7 procurements relating to 7 types of lotteries. Accordingly, the Assistant General Manager (Procurements) had recommended that this activity should be carried out by the Departmental Procurement Committee and the Technical Evaluation Committee and approval therefor had been obtained from the Chairman and General Manager on 29 May 2020. As such, it was observed that these activities had been carried out contrary to the Procurement Guidelines.

which could arise due to incidents affecting the supply of tickets due to mechanical defects of the supplier or any other situation extraneous to the supplier's party, had been given priority. As such, the printing risk of the Board is minimized by selecting several suppliers and as such, bids had been invited separately for 7 types of tickets so as to supply one type of ticket by each supplier. The said printing activities had been carried out in the same manner by the Ministerial Procurement Committee commencing from many years up to the final year.

This year as well the said procurement activities have been commenced within the limit of authority of procurement committees in the same manner. Specifically, the Ministerial Procurement Committee had taken action as in previous years and according to the said practice, action was taken in the same manner.

Moreover, it is informed that according to the requirement of tickets remained finally, as the estimated cost exceeds the limits of the Ministerial Procurement Committee, the said procurement activities are carried out by the Standing Cabinet Appointed Procurement Committee.

(d) Despite having defined domestic ownership as having more than 51 per cent of the shares, contrary to Guidelines 7.9.5, 7.9.6 of the Procurement Guidelines and Public Finance Circulars 2013/01 and 2017/04, the condition that the suppliers should have 100 per cent domestic ownership had been included in the bidding

The said Cabinet Decision has been made relevant from the year 2017. In procurements carried out in the years 2016 and 2017, certain foreign companies submitting bids as joint ventures, involvement in printing of tickets and later operating as a nominal partnership while the foreign company handled

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documents of the year 2020. The General Manager had mentioned that the inclusion of the said condition had been based on the Cabinet Decision No.08/2356/306/145/TBR of 2008. However, the reasons for non-inclusion of this condition when preparing procurement documents from the year 2009 to the year 2017, had not been given.

all printing activities and attempting to gain improper cost benefits by importing raw material on BOI facilities were observed as reasons therefor. In the said situation, the joint venture is operated nominally. Considering the outflow of money from the country in carrying out the entire process by the foreign supplier, the Ministerial Procurement Committee had decided to include appropriate conditions therefor.

Accordingly, the condition that the suppliers should have 100 per cent domestic ownership, had been documented in bidding documents on legal advice. Thereafter the said bid conditions remained unchanged.

- (e) According to Guideline 5.3.2 of the Procurement Guidelines, the invitation to bid shall contain appropriate and relevant basic information required by prospective bidders to prepare the Bid or Quotation, including main eligibility criteria and qualification requirements of the successful bidder. However, instead of doing so, evaluation of bids had been rejected in the year 2020.

Evaluations are carried out in terms of bidding conditions and bidding documents not in conformity with bidding conditions are rejected. Moreover, it had been included in the bidding documents that the performance of suppliers of the Board in previous years will be considered in the evaluation. As such, the performance and conditions such as breach of confidence of companies as well were considered at the evaluation. The reason therefor was that the risk lying with the party on the side of the Board on further non-occurrence of situations of breach of condition in awarding of bids to a supplier who had breached confidence. As such, it is informed that the acceptance or rejection of proposals of bidders who had submitted bids, had taken place accordingly.

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- (f) The Board had taken action to issue lotteries through Sweep App by incurring an expenditure of Rs.3,275,246. However, Oracle International had not agreed to provide printed lottery tickets through the said facility. Moreover, despite the unavailability of additional printing machinery and continuous printing of lottery tickets with printing errors, acceptance of the said institution as a qualified institution was questionable in audit.
- In issuing lottery tickets for Sweep App, the number of lottery tickets used therefor had not been precisely indicated. As an additional insurance coverage should be obtained for those e-tickets and the insurance cost thereon had taken a high value, Oracle International had not supplied those e-tickets. However, as Oracle International is already a supplier of tickets of the Board and as Oracle International does not have supplying weaknesses so as not to mention as a successful supplier, the Technical Evaluation Committee has identified Oracle International as successful bidder.
- As there are weaknesses in the printer, best printers should be selected by calling competitive biddings.
- (g) The total excess expenditure incurred by the Board in printing lottery tickets amounted to Rs.72,479,000 from the year 2017 to the year 2020 due to decisions of the Procurement and Technical Evaluation Committees.
- In terms of Procurement Guidelines, recommendations relating to a certain procurement is made by the Technical Evaluation Committee and the Procurement Committee. Accordingly, bids are awarded as per recommendations of the said committees. As such, an excess expenditure had not been incurred as pointed out by Audit.
- Recommendations of the Technical Evaluation Committee should be obtained accurately according to Procurement Guidelines.
- (h) In terms of 2.8.1 (b) of Procurement Guidelines, the Technical Evaluation Committee should consist of at least one member who is sufficiently knowledgeable on Procurement procedures. Nevertheless, a member with a special knowledge in the subject of vehicles had not been included in the Minor Procurement Technical Evaluation Committee appointed for purchase of cars and scooters for the Super Ball, Saturday Fortune and Lagna Vasana special draws.
- Cars and motor bicycles are purchased only in brand new condition from relevant agencies for awarding as prizes relating to winning of lotteries. Purchase of goods as prizes is different from normal purchase and the said vehicles are purchased by considering the amount allocated for prizes so that the winner gets the maximum benefit for the amount of prize allocated by the Board for a certain prize relating to that particular prize. Necessary assistance relating to technical matters have been obtained from Transport Officers of the institute
- Action should be taken in terms of Procurement Guidelines.

as per Guideline 7.3.1 of the Procurement Guidelines. As such, specialist consultancy services have been obtained for the evaluation process despite the unavailability of a subject specialist in the Technical Evaluation Committee.

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| <p>(i) In terms of Guideline 6.3.3. (a) of the Procurement Guidelines, two members had opened the Bids according to the format of opening of Bids,. However, adequate information on obtaining the approval of the Procurement Committee for this committee, had not been made available in the audit file.</p> | <p>Necessary action has been taken by now to appoint the Bid Opening Committee on the approval of the Procurement Committee.</p> | <p>Action should be taken in terms of Procurement Guidelines.</p> |
| <p>(j) In terms of Guideline 2.14.1 of the Procurement Guidelines, the approval of the Accounting Officer should be obtained for recommendations made by Procurement Committees before awarding of the contract. However, action had not been taken to obtain the approval of the Chairman for the 3 aforesaid procurement recommendations.</p> | <p>Implementation of decisions of the said committees has been the normal practice in procurement activities of the Board. However, implementation of decisions of the Departmental Procurement Committee and decisions of the Minor Procurement Committees has been commenced on the approval of the Board of Directors and the Chairman respectively.</p> | <p>Action should be taken in terms of Procurement Guidelines.</p> |

3.8 Human Resource Management

Audit Observation	Comments of the Management	Recommendation
<p>approved cadre and the actual cadre of the Board as at 31 December 2020 was 342 and 316 respectively, thus observing 39 vacancies.</p>	<p>There was a total of 39 vacancies in the Board as at 31 December 2020. Approval of the Board of Directors has been received to suppress certain posts out of these, after deciding there was no long term requirement of them. Accordingly, even though the Department of Management Services has been notified thereon by a letter, no approval has been received therefor. Moreover, applications have been called or interviews held for recruitment for certain posts (Assistant General Manager – Sales, Quality</p>	<p>Action should be taken to fill vacancies according to requirement of service.</p>

Control Assistant and Field Promotion Officer) and recruitments therefor will be made in future. As such, the number of vacancies will decrease accordingly.

4. Accountability and Good Governance

4.1 Tabling of the Annual Report in Parliament

Audit Observation	Comments of the Management	Recommendation
The Annual report of the year 2020 had not been tabled in Parliament.	It is agreed.	The Annual Report should be tabled in Parliament before the due date in terms of circulars.

4.2 Corporate Plan

Audit Observation	Comments of the Management	Recommendation
As per Section 5.1.3 of Public Enterprises Circular No. PED/12 of 02 June 2003, a copy of the updated Corporate Plan should be furnished to the Auditor General with the approval of the Board of Directors 15 days before the commencement of the ensuing financial year. However, the said report had been furnished to the Auditor General by the Board on 19 February 2020.	It is agreed.	Action should be taken in terms of provisions in circulars.

4.3 Audit Committee

Audit Observation	Comments of the Management	Recommendation
Five decisions taken at the Audit and Management Committee meeting, had not been implemented.	It is mentioned in the Audit and Management Committee report.	Implementation of 5 decisions taken at the Audit and Management Committee meeting.