

Samurdhi Housing Development Lottery Fund - 2021

1. Financial Statements

1.1 Adverse Opinion

The audit of the financial statements of the Samurdhi Housing Development Lottery Fund for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and notes to the financial statements 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, because of the significance of the matters described in paragraph 1.5 of this report, the accompanying financial statements do not give a true and fair view of the financial position of the Fund as at 31 December 2021, 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 Adverse Opinion

I expressed adverse opinion for the financial statements based on the matters described in paragraph 1.5 of this report.

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 adverse 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 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 Audit Observations on the preparation of Financial Statements

Audit observation	Comment of the management	Recommendation
(a) Granting of funds needed to the department for providing of relief to the victims of people from the Covid -19 pandemic situation in the year 2021 the loan amount had been borrowed from the bank with the guarantee of Rs.892,266,391 value of 14 number of fixed deposits which are belong in to Housing Development Lottery Fund and the interest to be payable further had not been accounted as assets and liabilities in the financial statements.	It was informed that the action will be taken to correct in future.	Should be accounted in the financial statements as assets and liabilities.
(b) Provisions for audit fees had not been made for the year under review.	Provisions have been made for this in the action plan and the budget in the year 2023.	Provisions for audit fees should be made annually.
(c) Out of the cost of Rs.835,588 of computers which had been completely depreciated currently using computers had not been shown in the financial accounts by calculating the carrying amount.	Action will be taken to record in the accounts in the year 2022 because of the carrying amount of currently using computers had been calculated in the year 2022.	Carrying amount of the asset should be shown in the accounts.

1.6 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) as established by the Paragraph 15.1 of the Public Finance Circular No. 1/2020 of 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. As per the action had not been taken.	Relevant reports and documents had given to the legal section for this and it was informed that it has been forwarded to the Department of Legal Drafting by the legal section of the Department of Samurdhi Development. So far no reply had received from the Department of Legal Drafting for us.	Action should be taken in accordance with the Financial Regulations and the circular.

2 Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a surplus of Rs. 221,057,494 and the corresponding surplus in the preceding year amounted to Rs. 527,156,143. Therefore a deterioration amounting to Rs.306,098,649 of the financial result was observed. The decrease in contribution and the interest income of investments had been mainly attributed to this deterioration.

3. Operating Review

3.1 Management Inefficiencies

Audit observation	Comment of the management	Recommendation
(a) Even though the computer data system should be updated through the Customer Relation Module in accordance with the set of regulations of Samurdhi Housing Lottery Fund, by entering the information of beneficiaries who had removed and entered new beneficiaries to the computer data base each of the month before every draw. Due to the updating had not been done cash prizes of 309 number of prize winning beneficiaries had been kept in hold from the year 2018 to 2021. Accordingly on delaying of accurate updating amounting to Rs.61,800,000 of cash prizes could not be awarded due to missing the winning chance for another beneficiary.	Instructions have been 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.	Action should be taken to give wining prizes of the beneficiaries by updating the data base.
(b) According to the letter No. DDD/HO/6/M/01/2017/01 dated 2017 January 13 had been submitted it was stated that regarding the awarding of housing lottery prizes there should not be awarded again cash prizes in a draw one who had won once and received cash prizes. Accordingly beneficiaries who won earlier had been received winning prizes again due to non- preparing of the lottery drawing computer system as per non receiving of winning chances again for persons who won and received cash prizes. As such the number of prizes being hold from November 2018 to 2021 October was 50. Accordingly there had not been a proper prevention procedure for beneficiaries who had won once and received winning cash prizes again through the system	The Board of Trustees of housing lottery had been approved to make an opportunity to win a chance again after 10 years to a beneficiary who won a one winning chance when having winnings of housing lottery. But instructions had been given to the Information Technology Section to keep the prize winners once in a separate folder temporarily out of the CRM system and in some	Action should be taken to give wining prizes of the beneficiaries by updating the data base.

due to that reason Rs. 10,000,000 amount of cash prizes that could have been taken to 50 number of beneficiaries was lost.

occasions it was notices that receiving of winning chance again to the beneficiaries in the system.

(c) In terms of paragraph 26 of the set of regulations of Samurdhi housing lottery fund dated 01 February 2021 the cash prizes should be given only up to 3 months from the draw has done and the cash balances of the prizes that could not be given should be credited to the housing lottery account in the head office at the end of that period. Even though contrary to that an amount of Rs. 1,800,000 relating to 9 prizes had been credited to the fund with a delay of 04 months to 08 months.

It was accepted that action had not been taken in terms of the regulations of the fund if it would be more than 03 months lapsed. It was seems to be that issues happened under this period in the district offices and instructions were given by the head office to finalized the payments within 03 months.

The cash balance for prizes should be credited to the housing lottery fund of the head office within the relevant period of time.

4. Accountability and Good Governance

4.1 Submission of Financial Statements

Audit observation	Comment of the management	Recommendation
<p>Even though the Financial Statements along with the Annual Performance Report of the Fund should be submitted to the Auditor General with a copy to the Department of Public Finance of the General Treasury within 2 months from the end of the financial year in terms of Financial Regulation 877 (2)(d) as established 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 for audit on the date of 24 February 2023.</p>	<p>The delay that mentioned in the paragraph had been occurred due to preparing and presenting of financial statement for the year 2021 after auditing the financial statement in the year 2020.</p>	<p>Financial Statements should be presented during the relevant period in terms of Financial Regulations and as per instructions of the circulars.</p>

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) as included in the paragraph 15 of the Public Finance Circular No.1/2020 of 28 August 2020.	According to the instructions had received from the management the budget report was prepared from the year 2022 to ahead and being preparing of the action plan for previous years and the expenditure had been made accordingly.	Budget should be prepared and presented during the relevant period in terms of Financial Regulations and as per instructions of the circulars.