

Samurdhi Housing Development Lottery Fund - 2022

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 2022 comprising the statement of financial position as at 31 December 2022 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, the financial statements of the Fund give a true and fair view of the financial position of the Fund as at 31 December 2022, and of its financial activities 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 (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 opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process. As per Sub-section 16 (1) of the National Audit Act No. 19 of 2018, the Fund is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Fund.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Fund, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Fund has complied with applicable written law, or other general or special directions issued by the governing body of the Fund,
- Whether the Fund has performed according to its powers, functions and duties, and
- Whether the resources of the Fund had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

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

Reference to the Laws, Rules and Regulations	Non-compliance	Comment of the management	Recommendation
(a) Financial Regulation 877 (1)(c) as established in paragraph 15 of Public Finance Circular No. 1/2020	Even though the budget had been prepared for the year under review a copy of that should be	Action will be taken as per from the year 2023.	Action should be taken in accordance with the Circular.

dated 28 August 2020

submitted to the Director General of Public Finance forwarding to the Director General of National Budget for the approval of the General Treasury with the approval of the Secretary of the Ministry.

- (b) Paragraph 4.2.1 of the Procurement Guideline 2006 Even though procurement had been done including computers amounting to Rs. 8,318,010 by the fund for the year 2022 a procurement plan had not been prepared. No answers have been given. Action should be taken with provisions of the Procurement Guideline.

2 Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a surplus of Rs.652,757,142 and the corresponding surplus in the preceding year amounted to Rs. 221,057,494 Therefore an improvement amounting to Rs.431,699,648 of the financial result was observed . The increase in contribution of the beneficiaries and increase in interest income of investments had been mainly attributed to this improvement.

3. Operating Review

3.1 Operating Inefficiencies

Audit observation

Comment of the management

Recommendation

- (a) Even though the information 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 added new beneficiaries to the computer data base each of the month before done every draw .Due to the updating had not been done cash prizes of 84 number of prize winning beneficiaries had been kept in hold in the year 2022. Accordingly on delaying of accurate updating amounting to Rs.16,800,000 of cash prizes could not be awarded due to missing the
- Instructions has been given to the System Analyst who is in charge of CRM system in the Information Technology Division to ensure that such a situation does not occur in the future. Action has been taken to enter that name list of beneficiaries who won once in to a separate file after giving prizes .
- Action should be taken to give winning prizes of the beneficiaries updating the data base.

winning chance for another beneficiary.

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| <p>(b) 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. 9,200,000 relating to 46 prizes had been credited to the fund with a delay of 04 months to 13 months.</p> | <p>It has been informed to the District Director through a letter with each cash release of prizes if there were any cash balance after giving every winning prize soon to return it to the head office. However when implementing forwarding various reasons and keeping money in each divisional secretariat offices by most of people action to be taken to credit to the housing lottery account of the head office at the end of the year.</p> | <p>The cash balance for prizes should be credited to the housing lottery fund of the head office within the relevant period of time.</p> |
| <p>(c) An amount of Rs. 947,775,000 of Special Housing Aids had been given for 2,999 number of persons including non Samurdhi beneficiaries from this fund which had established from the monthly contribution of the Samurdhi beneficiaries for building up houses for low income earners who should pay special attention.</p> | <p>Due to this special housing programme has implemented for poor communities under the Samurdhi programme, when selecting housing proposals accordingly with the agreement of the Board of Directors selected to persons of samurdhi benefited and the low income earners as per the priority lists and providing housing assistance has been done as this.</p> | <p>Action should be taken to give priority to Samurdhi beneficiaries who contributed to the fund when providing housing assistance</p> |

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 07 June 2023.</p>	<p>The delay had been occurred due to preparing and presenting of financial statement for the year 2022 after auditing the financial statement in the year 2021.</p>	<p>Financial Statements should be presented during the relevant period in terms of Financial Regulations and as per instructions of the circulars.</p>