

Development Lotteries Board - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Development Lotteries Board for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 the Financial Act, No. 38 of 1971. My comments and observations which I consider should be reported to Parliament appear in this report.

In my opinion, except for the effects of 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 2022, 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 Auditors' 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 the 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 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 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 intends 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, it 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 Auditor's Responsibility 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 skepticism 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 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 Fund;
- 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 Audit Observations on the Preparation of Financial Statements

1.5.1 Non-compliance with Sri Lanka Accounting Standards

The following observations are made.

Audit Observation -----	Comments of the Management -----	Recommendation -----
(a) A sum of Rs.13,793,093 estimated as current liabilities in prior years has been brought to account as other income in the year under review contrary to paragraph 69 of Sri Lanka Accounting Standard 1, thus overstating the profit of the year under review by the same amount.	This is a rectification of the changes occurred in the estimates of accrued expenses of prior year.	Action should be taken to compute accrued expenses based on the invoices remaining to be paid as at the balance sheet date.
(b) In terms of paragraph 36 of Sri Lanka Accounting Standard 16, if an item of property, plant and equipment is revalued, the entire class to which that asset belongs shall be revalued. However, only assets valued at Rs.11,707,714 Rs.56,204,125 belonging to the two classes of assets of office equipment and furniture and fittings had been revalued and the assets totaling Rs.44,496,411 had not been revalued.	A proper revaluation for all assets of the Board is due to be carried out in the year 2023 by considering the values pointed out by the Audit Report as well.	In terms of the relevant standard, if an item of property, plant and equipment is revalued, assets of the entire class to which that asset belongs, shall be revalued.

1.5.2 Accounting Deficiencies

The following observations are made.

Audit Observation -----	Comments of the Management -----	Recommendation -----
(a) Instead of making necessary accounting adjustments for the	In terms of Sri Lanka Accounting Standard	If there is no intention of carrying out this

<p>expenditure totaling Rs.1,728,884 spent for preparing a plan for an activity of which constructions have been suspended at present, it had been accounted as Work-In-Progress under property, plant and equipment over a period of 08 years.</p>	<p>(LKAS) 16, it is probable that future economic benefits associated with the item will flow to the entity. As such, the above constructions had not been completed even by 31 December 2022.</p>	<p>construction, it is not necessary to carry this balance forward in the Work-In-Progress Account. As such, accounting adjustments should be made therefor.</p>
<p>(b) In the computation of income tax expenditure of the Board for the year 2022, percentages of 30 and 24 should be applied on the taxable profit of the first half year and on the profit of the second half year respectively. However, the Board has applied a 30 per cent tax rate in the taxable profit for the entire year, thus overstating the income tax expenditure of the year under review by Rs.6,127,600 in accounts. Accordingly, the profit after tax of the year under review has been under computed by that amount.</p>	<p>As computation of the annual income tax cannot be precisely computed at the time of preparation of financial statements, only an allocation based on an estimate thereon is made in terms of Sri Lanka Accounting Standard (LKAS) 12. The Inland Revenue Department has permitted a period up to 30 September of the ensuing financial year, to precisely compute the annual income tax and to pay it.</p> <p>Accordingly, we compute separately, considering the income expenditure for the first 09 months before 30 September 2023 and the last 03 months as due, and the payment is made according to the prescribed tax rate.</p>	<p>Action should be taken in this connection after consulting the Inland Revenue Department.</p>
<p>(c) A Cab valued at Rs.8,095,000 included in non-current assets, was not physically available with the Board as it was taken away by a former Chairman.</p>	<p>This vehicle has been registered under the Board. The relevant asset has been capitalized in the year 2012 based on this registration.</p>	<p>This vehicle should be physically taken over to the Board.</p>
<p>(d) Sum of Rs.840,343 accounted for in 2017 and 2021 as lottery sales, had been treated as sales returns</p>	<p>As pointed out by this Audit Query, the payment for this stock of lotteries</p>	<p>Sales returns should be identified as prior year adjustments and</p>

and paid to lottery agents during the year under review. However, it was accounted for as sales returns of Rs.616,743 and maintenance expenses of Rs. 223,600 thus understating the profits by Rs.840,343.

has been made in the year 2022.

The sum of Rs.223,600 included in the said amount, has been erroneously accounted as vehicle maintenance expenditure and the staff has been instructed to avoid such errors in future.

brought to account.

1.5.3 Non-reconciled Control Accounts or Records

The following observations are made.

	Item	Value as per Financial Statements Rs.	Value as per corresponding reports Rs.	Difference Rs.	Comments of the Management	Recommendation
	-----	-----	-----	-----	-----	-----
(a)	Balances payable					
	- Sri Lanka Broadcasting Corporation	13,758,998	17,593,053	3,834,055	Action will be taken to carry out a proper reconciliation of the information provided by relevant media institutions and to explain the reasons for this difference.	Action should be taken to discuss with relevant institutions and to settle those balances.
	- Sri Lanka Rupavahini Corporation	39,230,000	45,150,000	5,920,000		
	- Associated Newspapers of Ceylon Limited	12,005,909	1,946,541	10,059,368		
(b)	Balance receivable	NIL	1,921,681	1,921,681	- do -	- do -
	- Sri Lanka Broadcasting Corporation					

1.5.4 Non-Submission of Documentary Evidence for Audit

Item	Amount Rs.	Audit Evidence not made available	Comments of the Management	Recommendation
-----	-----	-----	-----	-----
Information on computers and office equipment included in the basic	6,631,587	Number of items in, computers and office equipment, cost or	It was recommended by a committee appointed by the Board to identify defects in the fixed assets for eliminating the	Action should be taken to maintain Registers of Fixed Assets.

computerized documents relating to non-current assets

revaluation and date of purchase relating to computers and office equipment

balance of computers and accessories amounting to Rs.4,107,599 mentioned in the Audit Query and approval has been received by now to write off the said balance from accounts after forwarding the said recommendation to the Board of Directors through the Audit and Management Committee. Recommendations of the committee relating to office equipment of Rs.2,523,988 pointed out herein, are being prepared.

1.6 Accounts Receivable and Payable

1.6.1 Money receivable

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
-----	-----	-----
(a) In obtaining fuel on credit basis by the Development Lotteries Board, a sum totalling Rs.175,000 comprising Rs.75,000 and Rs.100,000 had been deposited in two institutions on recovery basis on 13 November 2003 and 26 April 2008 respectively. Moreover, action had not been taken to recover the said deposit money even up to the end of the year under review despite the lapse of many years after discontinuing transactions with the said two institutions.	It is observed that charges on these security deposits have been set off against the fuel obtained at the end of the relevant period. Nevertheless, it is observed that those deposits have not been eliminated from cash accounts. Action will be taken to keep accurate records once making adjustments with relevant details after repeating investigations or to recover relevant money.	Relevant accounting adjustments should be made after checking these receivable balances.
(b) The agreement entered into by the Board for obtaining building No.234 on Vauxhall Street from October 2006 had been breached ex-parte. As such, the Board has failed to recover the sum totalling Rs.5,700,000 comprising	All relevant information has been submitted to the Attorney General's Department by now. Accordingly, the Board will provide necessary assistance for legal action	Action should be taken to recover this amount expeditiously.

- | | | |
|---|--|---|
| <p>Rs.723,780 paid as deposit and Rs.4,976,220 which is a part of the rent paid for the said years, for 16 years by now.</p> | <p>taken hereafter by the Attorney General's Department.</p> | |
| <p>(c) The judgement related to a lawsuit filed 23 years ago regarding the recovery of Rs.2,520,000 of building rent deposit had been received on 11th January 2016. Although six years had lapsed after receiving the judgement, the Board has been unable to recover the said sum.</p> | <p>The relevant defendant has made an appeal on the said judgement. The defendant has passed away while court procedure was in progress relating to the said appeal. As such, necessary arrangements have been made by the Colombo and Mount Lavinia Courts to handover the notice in support of this lawsuit to the wife and son of the defendant as the defendant's substitute respondents.</p> | <p>Action should be taken to recover this amount expeditiously.</p> |
| <p>(d) A sum totalling Rs.3,626,727 comprising Rs.2,877,144 in 03 instances in the year 2013 and Rs.749,583 in the year 2014 had been paid as advances on building design consultancy fees to a private institution. The Board had provided opportunity for an external party to retain funds of the Board without executing intended purposes over a period of 09 years.</p> | <p>A sum of Rs.3,626,727 has been paid as advances to a private consultancy firm for preparing plans relating to constructions required to be carried out in the interior of the Development Lotteries Board. Lengthy discussions were held regarding this payment at the Audit and Management Committee meetings and there was no possibility of recovering the money so paid. As such, instructions were given to make necessary arrangements to write off the said sum. Accordingly, action will be taken to appoint an internal committee to obtain necessary recommendations, prepare</p> | <p>Action should be taken to recover money from the relevant institution.</p> |

a report and to submit the recommendations contained therein to the Board of Directors to write off or recover this sum in terms of Financial Regulation 104.

According to instructions given at the Committee on Public Enterprises held on 10 March 2022 to prepare and submit a report thereon, a report dated 15 June 2022 had been forwarded to the Secretary of the Committee on Public Enterprises.

1.6.2 Advances

The following observation is made.

Audit Observation -----	Comments of the Management -----	Recommendation -----
Advances totalling Rs.202,800 had been paid to one institution and three persons in the year 2014 for obtaining accommodation for the Deyata Kirula Programme in the year 2015. The Board had provided opportunity for external parties to retain funds of the Board over a period of 08 years without executing intended purposes. Moreover, the Board had failed to recover the said money even by the end of the year under review.	Necessary action will be taken to recover this amount at least in installments by meeting all relevant parties.	Action should be taken to settle advances.

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

The following observations are made.

Reference to Laws, Rules, Regulations etc. -----	Non-compliance -----	Comments of the Management -----	Recommendation -----
(a) Section 11 of the Finance Act, No.38 of 1971	Even though the Board had invested a sum totalling Rs.1,728,541,094 in fixed	A considerable amount of interest income is earned through management of	Action should be taken in terms of provisions cited in the

- | | | | | |
|-----|---|--|---|--|
| | deposits as at 31 December of the year under review, the concurrence of the Minister of Finance had not been obtained therefor. | funds of the Board and that income is remitted to the President's Fund. An interest income of Rs.273 million has been earned for the financial year of 2022. However, steps will be taken to rectify the shortcomings pointed out. | Finance Act, No.38 of 1971. | |
| (b) | Section 17(5) of the Development Lotteries Board Act, No.20 of 1997 | The proceeds from sale of goods unclaimed by prize winners, of which a 06-month period had elapsed, shall be in the first instance credited to the Fund and afterwards to the President's Fund. However, the approval had been received at the meeting of the Board of Directors held on 30 May of the year under review to invest the money by selling three motor cycles valued at a total of Rs.779,750 purchased for giving away as prizes in the years 2018 and 2020. | Necessary arrangements are being made at present for purchases to the President's Office, and the said 03 motor cycles, will be purchased by the President's Office within the month of June. | Action should be taken in terms of provisions cited in the Development Lotteries Board Act, No.20 of 1997. |
| (c) | Circular No.08/2019 of 17 December 2019 of the Department of Public Finance | The Board should have been registered before 31 January 2020 under the Electronic Government Procurement System (e-GP) introduced under www.promise.lk website for Government institutions including public corporations. However, as the Development Lotteries Board had not registered under this System, the procurement activities had not been carried out accordingly. | This institute has applied for registration under the Electronic Government Procurement System (e-GP) by now. Subsequent to the said registration, this institute will have the ability of adhering to the said procurement system. | Action should be taken in terms of the relevant circular provisions. |

- | | | | | |
|-----|--|--|--|--|
| (d) | Budget Circular No.42 of 31 December 2008 | A sum totalling Rs.9,867,854 had been granted as distress loans to 147 officers, exceeding the credit limit of Rs.250,000. | After being pointed out by Audit in the year 2022, action has been taken to grant distress loans so that the limit of Rs.250,000 is not exceeded as mentioned in the circular. As such, no member of the staff has been granted with a distress loan exceeding the relevant limit after August 2022. | Action should be taken in terms of the relevant circular. |
| (e) | Procurement Guidelines of the Democratic Socialist Republic of Sri Lanka- 2006 | (i) Section 4.3 | (i) The Total Cost Estimate including all associated costs shall be prepared by the Procurement Entity and approval of the Head of Department should be obtained therefor. However, a Total Cost Estimate had not been prepared for the procurement activity of re-branding 200 trade stalls island wide valued at Rs.9.125 million and for newly erecting 25 lottery booths | Observations of Audit will be applied for future procurement requirements. |
| | | (ii) | The cost estimates for printing 07 types of lotteries had been separately prepared for each lottery and bids invited under the Department Procurement Committee. Nevertheless, procurement activities had been cancelled stating that the said procurement process should be carried out by the Ministry Procurement | The matters pointed out by the Audit are decisions taken by the Department Procurement Committee. As such, no further clarifications could be made in that regard. |
| | | | | Action should be taken in terms of provisions in the relevant Procurement Guidelines. |
| | | | | Action should be taken in terms of provisions in the relevant Procurement Guidelines. |

Committee or the
Cabinet Appointed
Procurement
Committee.

- (ii) Section 4.2.3 Action should be taken to complete the relevant purposes by clearly determining the duration taken for each stage of procurement activities within the said periods. However, awarding of bids to a supplier relating to procurement activities of printing 08 types of lotteries commenced in February 2022 for the third time, had failed despite a lapse of 01 year and 01 month by the end of March 2023.
- Awarding of bids in respect of this activity has been carried out on 21 April 2023 and bids are being awarded for the new supplies commencing from 16 May 2023. Accordingly, bids relating to the revised Procurement Time Schedule have been awarded.
- Action should be taken in terms of provisions in the relevant Procurement Guidelines.

2. Financial Review

2.1 Financial Results

The operations for the year under review resulted in a profit of Rs.3,266,591,501 and it was Rs.2,953,528,558 as compared with the corresponding profit of the preceding year, thus observing an improvement of Rs.313,062,943 in the financial result. Increase in the income from sale of lotteries and income from investment interest had mainly attributed to this improvement.

2.2 Trend Analysis of Major Income and Expenditure Items

- (a) The income from sale of lotteries had increased by Rs.3,707,058,253 in the year under review representing 24 per cent increase as compared to the preceding year. Moreover, the income from investment interest had increased from Rs.81,603,744 to Rs.233,746,005 representing 185 per cent increase as such, other income had increased from Rs.110,304,701 to Rs.320,846,644.
- (b) As compared to the preceding year, the cost of lotteries had increased from Rs.433,523,004 to Rs.844,240,759 by 95 per cent.

3. Operational Review
3.1 Uneconomic Transactions

The following observation is made.

Audit Observation -----	Comments of the Management -----	Recommendation -----
<p>The Board had paid a sum totalling Rs.15,168,369 comprising the value of a Cab which had been taken away from a private institution on 22 April 2008 by a former Chairman and a sum of Rs.14,923,369 as legal interest relating to the value of the said vehicle and Rs.245,000 as lawyer’s fees. The lawsuit instituted by the Board in this regard, had not been concluded even up to the end of 2022 and the Board had paid a sum of Rs.1,674,185 to the lawyers who appeared on behalf of the Board in this connection. Accordingly, the total expenditure incurred by the Board up to the end of the year 2022 relating to this incident was Rs.16,842,554.</p>	<p>A cab bearing No. WP-PB 6024 purchased for the Board, had been taken away by a former Chairman. As the Board had failed to make the payment to the institution from which it was purchased, the said private institution had taken legal action against the Development Lotteries Board. Thus, the Board had to pay Rs.15,168,367 to that institution. As a result, a loss had occurred to the Board comprising the value of the Cab, legal interest, lawyer’s fees incurred by the relevant institution and the lawyer’s fees of Rs.1,674,185 the Board. Legal action required for the recovery of this amount has been taken in consultation with the Attorney General’s Department and the first court date relating to this lawsuit was held on 06 May 2022 and the second court date was held on 07 April 2023.</p>	<p>Action should be taken to recover the financial loss occurred to the Board through legal action, from relevant parties.</p>

3.2 Management Inefficiencies

The following observations are made

Audit Observation -----	Comments of the Management -----	Recommendation -----
<p>(a) Approval of the Board of Directors had been granted on 25 January 2022 for sale of gold coins and jewelry weighing 692 grams purchased for brand promotion activities to which there were no claims. The National Gem and Jewellery Authority has valued this stock of gold thrice in the year under review and the valuation had decreased from Rs.15,137,500 to Rs.12,937,216 by Rs.2,200,284 while they had been sold to a selected buyer for Rs.13,494,000 on 19 December 2022. The Development Lotteries Board had been deprived of an opportunity to earn an additional amount of Rs.1,643,500 due to delay in sales activities by changing this valuation at two instances up to November without carrying out sales activities based on the valuation received in May of the year under review. Moreover, the Board had to spend an additional sum of Rs.154,560 to publish the newspaper advertisement for the second invitation for bids.</p>	<p>These gold jewelries have been sold based on the estimates of the Gem and Jewellery Authority. The prices have dropped as indicated by the Audit due to the frequent fluctuation of the price of gold as a result of the problematic situation of foreign currency which prevailed in the country during the period in which the said procurement process took place.</p> <p>However, the said gold jewelry has been sold by adhering to the proper procurement process.</p>	<p>Action should be taken to avoid such a situation in future.</p>
<p>(b) It had been decided by the Board to pay an extra commission of Rs.0.50 for a period of 03 months from 19 September 2022 in addition to the commission of Rs.3.25 paid at present to sales agents for sale of Lagna Wasana Lottery through Board Paper No.2022/09/2005 of 05 September 2022. The payment of the said incentive had been</p>	<p>A lottery named Handahana had been introduced to the market by a competitor, with more benefits for sales agents and by increasing prize percentage to compete directly with the prize pattern of Lagna Wasana Lottery. As such, this directly affected the sales of the Lagna Wasana Lottery. Thus this additional 50 cents</p>	<p>Action should be taken to inspect whether there is an increase in the sale of all lotteries and to implement promotional programmes.</p>

extended from 19 December 2022 up to June 2023 with the approval of the Board of Directors. As such, an additional commission of Rs.43,092,258 had been paid to sales agents for the Lagna Wasana Lottery up to 31 December 2022 from the Fund of the Board. Accordingly, an additional sum of Rs.0.50 had been paid only for the Lagna Wasana Lottery. Even though the increase in sales of the Lagna Wasana Lottery was 18 per cent for the period from September to December, the increase in sales of other 04 lotteries for which an additional commission was not paid during the said period ranged between 16 per cent and 30 per cent. Thus, it was observed that sales of that lottery had not been increased by paying an additional 50 cents only for that lottery, as expected by the Board.

per lottery was paid to maintain the daily sale of 10 lakhs of the Lagna Wasana Lottery.

- (c) Approval of the Department of Public Enterprises had not been obtained for the payment of staff allowances totalling Rs.1,575,000 made for the 39th anniversary of the Board.

A letter has been forwarded to the Department of Public Enterprises to obtain special approval in this regard and approval has not been granted so far.

Action should be taken to obtain approval from the Department of Public Enterprises.

- (d) A sum of Rs.997,500 had been retained in a current account of the Bank of Ceylon during the period from January to December 2022 without investing effectively.

Action will be taken to review the requirement of this account and to take a decision on closing this account.

Necessary action should be taken after studying the requirement of the account.

3.3 Operational Inefficiencies

The following observations are made.

Audit Observation -----	Comments of the Management -----	Recommendation -----
(a) Even though the sale of 9,497,400 E-Lottery tickets of 04 types of lotteries had been projected in the year under review, only 885,675 lottery tickets had been actually sold. It was only 09 per cent of the targeted sales and was only 0.15 per cent of 606,602,153 lottery tickets which was the total sale of lottery tickets of the Board.	The promotional activities of the E-lottery were crippled in the years 2020, 2021 and 2022 due to the COVID pandemic and the political and economic situation that prevailed in the country. Moreover, even though instructions were given to the relevant institution to discuss with the Central Bank of Sri Lanka and to prepare the Lottery App in a manner to access it easily, it was not carried out accordingly. As such, the promotional activities thereof could not be carried out during this year.	Action should be taken to make an arrangement to expand the sale of lotteries according to this system.
(b) A number of 123 gift vouchers valued at Rs.592,500 purchased from Lanka Sathosa to be given away as lottery prizes, had remained unused over a period of 13 years.	A request has been made to the Director General of the Department of Public Enterprises on 28 March 2023 to intervene on the relevant matter and to organize and arrange a discussion between the two parties.	Action should be taken to obtain new vouchers or money by holding discussions with Lanka Sathosa and the Ministry of Trade, Commerce and Food Security.

3.4 Procurement Management

The following observations are made.

Audit Observation -----	Comments of the Management -----	Recommendation -----
(a) The Board had commenced procurement activities relating to print and supply 07 types of	Opening of tenders has commenced on 15 September 2022 for	Action should be taken in terms of provisions in the Procurement

lotteries in May 2020. The said procurement activities had to be cancelled after 06 months from that date, which was in December 2020 due to failure in following the proper Procurement Guidelines relating to bidding documents. Procurement activities had been commenced once again in February 2021 to print and supply 08 types of lotteries and bidding documents had not been prepared according to the requirement of the Board. As such, that procurement too had been cancelled after 11 months from that date, which was on 20 January 2022. Furthermore, procurement activities had been commenced again in February 2022 for the said 08 types of lotteries. Even though a period of 01 year and 01 month had lapsed up to the end of March 2023, the Board had failed to select suppliers and award bids. Accordingly, the Development Lotteries Board had failed to select suppliers to print, supply and to deliver lottery tickets through proper procurements from 31 July 2020 up to 31 March 2023.

- (b) The Board had commenced procurement activities in 03 instances from 31 July 2020 by the end of the year 2022. However, in terms of provisions of the Procurement Guidelines, selection of printers for printing lottery tickets for a specific year and awarding them with bids had failed. As such, extensions had been given contrary to provisions in Guideline 8.14 of the Government Procurement Guidelines to both previous suppliers in 09 instances for printing of lottery tickets for short periods such as 01 month, 02 months, 03 months, 04 months and

awarding bids relating to printing of 08 types of lottery tickets of which draws were conducted under the Standing Cabinet Appointed Procurement Committee (SCAPC) on 21 April 2023 subject to Cabinet approval dated 17 April 2023. Accordingly, bids relating to this procurement have been awarded for supply of lottery tickets relating to the year from 16 May 2023 to 15 May 2024. Therefore, this procurement has been completed successfully.

Guidelines.

The period of lockdown of the country as well as matters such as cancellation of invitation for bids mainly carried out by the Department Procurement Committee are independent occurrences beyond the control of the procurement entity. Nevertheless, it is compulsory to supply lottery tickets continuously for daily lottery operations of the Board and in case of failure to do so, it would affect loss of income in the

Action should be taken in terms of provisions in the Procurement Guidelines.

06 months during the period from July 2020 up to 31 July 2022.

- (c) The main procurement process of printing lottery tickets commenced under the Standing Cabinet Appointed Procurement Committee in February 2022, was not completed. As such, bids had been awarded only for a period of 03 months to two institutions by inviting for bids under national competitive bidding through the Department Procurement Committee for printing 08 types of lotteries for an estimated cost of Rs.190 million for a period of 03 months from 01 July 2022 up to 30 September 2022. Moreover, extensions had been given to these two institutions for printing lottery tickets for a total period of 09 ½ months by 15 April 2023 by short periods of 1 ½ months, 02 months and 03 months.

sales network due to the arise of grave social issues, thus resulting in a huge loss of sales income to the Board as a major matter. As extension of the printing agreement which existed then was the only alternative in such a situation, the period of the said agreement which was in effect on approval of the Board of Directors obtained at each occasion on the consent of both parties that entered into agreements, has been extended.

It is compulsory to supply lottery tickets continuously for daily lottery operations of the Board in terms of the procurement process effected by the Standing Cabinet Appointed Procurement Committee (SCAPC) and in case of failure to do so, it would affect loss of income in the sales network due to the arise of grave social issues, thus resulting in a huge loss of sales income to the Board as a major matter. As extension of the printing agreement which existed then was the only alternative in such a situation, the period of the said agreement which was in effect on approval of the Board of Directors obtained at each occasion on the consent of both parties that entered into agreements, has been extended.

Action should be taken in terms of provisions in the Procurement Guidelines.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Comments of the Management	Recommendation
<p>-----</p> <p>The sales income from the 01st Draw of Valampuri conducted on 28 October 2022 was Rs.58,799,000. However, as the income estimates of the said lottery had not been included in both the initial budget estimate and the revised budget estimate approved on 29 November 2021 and 28 September 2022 respectively, it could not be verified in Audit whether the Board had reached the income targets of the said lottery.</p>	<p>-----</p> <p>It was observed that the confidence of the Northeast Tamil customers in lotteries is on the decrease. The Board has decided to issue a new lottery ticket for improving their confidence in lotteries. Accordingly, action was taken to issue a lottery ticket for Tamils by the name Valampuri. However, as issuing a Tamil only ticket could lead to an ethnic issue, that lottery ticket was printed in Sinhala as well. As this introduction took place during the last quarter of the year, it was not included in the budget 2022 and it has been included in the budget 2023.</p>	<p>-----</p> <p>Action should be taken to prepare budget estimates accurately.</p>