

## **Samurdhi Housing Development Lottery Fund – 2023**

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### **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 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements and including material accounting policy information, was carried out under my direction in pursuance of provisions in Article 154 (3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with 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 2023, 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 Opinion**

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 qualified opinion.

#### **1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statement**

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 Audit Observations on the preparation of Financial Statements**

### **1.5.1 Internal Control over the preparation of financial statements.**

Entities are 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.

## **1.6 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 dated 28 August 2020	Even though the budget had been prepared for the year under review a copy of that should be 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.	That the budget prepared relating to the year 2024 had been submitted to the Director General of Public Finance forwarding to the Director General of National Budget for the approval of the General Treasury	Action should be taken in accordance with the Financial Regulations.

- (b) Paragraph 4.2.1 of the Procurement Guideline 2006 Office equipment had been purchased at a cost of Rs. 2,275,900 by the fund in the year 2023 however a procurement plan had not been prepared. A procurement plan for the year 2024 is being prepared by now. Action should be taken as per the 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.163,400,569 and the corresponding surplus in the preceding year amounted to Rs. 652,757,142. Therefore a deterioration of amounting to Rs.489,356,573 of the financial result was observed . The decrease in contribution had been mainly attributed to this improvement.

## 3. Operational Review

### 3.1 Operational Inefficiencies

Audit observation	Comment of the management	Recommendation
In providing housing Aids for 5109 of beneficiaries in the year under review An amount of Rs, 5,151,835 had been incurred but only Rs. 445,538 had been incurred in the last year for providing housing Aids for 6936 of beneficiaries. Accordingly even if the number of beneficiaries were less by 1827 compared to the last year the stationery expenses had been increased by Rs. 4,706,297. That is an increase of 1056 percent. Also the fuel expense compared to the last year was from Rs. 2,021,025to Rs. 4,127,235 that is by Rs. 2,106,210 and 51 percent. Accordingly in issuing provisions for fuel and stationery for District offices and Divisional offices had been released improperly without checking.	Since the prices of the fuel and stationery have been increased in the year under review with compared to the previous year, accordingly that the provisions has been given more in the relevant year than the previous year.	Provisions should be released by examining the requirement.

### 3.2 Management Inefficiencies

Audit observation	Comment of the management	Recommendation
(a) As per the schedule III of Inland Revenue amended Act No. 10 of 2021 as introduced to the Inland Revenue Act No. 24 of 2017 although	Although a request has been forwarded to the Commissioner of Inland Revenue to get free the interest income of the fixed	Action should be taken to get the approval of With Holding Tax free.

it was possible to get tax free from the 5 percent of With Holding Tax for the interest of the fixed deposits of the Housing Development Lottery from the 01 April 2021 due to the impossibility to gain that right the interest income had loss for the year 2023 was Rs. 46,218,561.

deposits from the With Holding Tax and that the approval of the With Holding Tax free has not been received for this Department.

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| (b) | Due to non - presenting of survey reports as per possible to identify the assets cost of Rs. 10,603,910 as at the date of 31 December 2023 owned to the fund it was impossible to check the existence of assets owned to the fund. | That the instructions has been given to present the survey reports to the Auditor General separately surveying the assets of the Housing Development Lottery fund when doing board of survey relevant to the year 2024. | Assets owned to the fund should be separately. Housing Development Lottery. |
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### 3.3 Performance

Audit observation	Comment of the management	Recommendation
<p>By conducting a lottery draw among the beneficiary families of the Fund and offering lottery prizes for the construction of houses, one per each divisional secretariat for each month for construction of 335 houses per month awarding 335 prizes each of Rs.200,000 is the main function of the fund. With the implementation of “Aswesuma” welfare programme from July 2023, the number of samurdhi beneficiaries decreased up to 397,097 and the contribution received for the Housing Development Lottery Programme also decreased from the month of July 2023. Total amount of 1,173,187,000 as a Rs. 990,598,500 for first half of the year under review, Rs. 182,588,500 from July to November had been received as contribution money and for the month of December contribution money had not been received. The contribution recovered in the year 2022 was Rs. 2,042,513,580 compared to that the contribution received this year had decreased by 43 percent. Therefore a problematic situation had arisen regarding the existence of the fund to fulfill the above objectives.</p>	<p>It will be acknowledge that a problematic situation has arisen regarding the existence of the fund. Currently the fund does not receive any contribution from the beneficiaries and special housing programmes have been implemented in the year 2024 by spending the existing fund.</p>	<p>Necessary procedures should be taken to maintain the fund.</p>