

**1. Financial Statements**

**1.1 Qualified Opinion**

The audit of the financial statements of the National Lotteries Board for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information 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 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 accompanying financial statements give a true and fair view of the financial position of the Board as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

**1.2 Basis for Qualified Opinion**

My opinion is qualified 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 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 for 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 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 (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 judgement 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 insufficient 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 Board of 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 Audit Observations on the preparation of Financial Statements

### 1.5.1 Non-compliance with the Sri Lanka Accounting Standards

Audit Observation	Comment of the Management	Recommendation
(a) The two circuits constructed on the lands which were acquired on a thirty (30) year lease basis in Anuradhapura and Mannar had been measured according to the fair value model in the previous year and Contrary to paragraph 30 of Sri Lanka Accounting Standard No. 40, had been recognized according to the cost model in the year under review and has depreciated by Rs. 2,485,500. Accordingly, the Board has not continued to apply the accounting policy and the change in accounting policy has not been disclosed in the notes to the financial statements.	Since the cost model is the most effective and practical measurement model for the Board regarding investment properties, the cost model will be used from the next accounting year.	The Board should have to adopt correct applications of accounting standards while preparing the financial statements.
(b) Final decisions had not been rendered as of 31 December 2024, regarding a case filed by the Board in the Supreme Court against a decision of the Labor Tribunal on the compulsory retirement of an employee of the Board and 4 cases pending before the Labour Tribunal regarding Board decision to dismiss the termination of the services of 04 television presenters. In this regard, there had not been any disclosure in the financial statements in accordance with paragraph 40 of Sri Lanka Accounting Standard No. 37.	Four cases regarding the termination of service of 04 TV presenters are pending before the Labour Adjudication Authority. Furthermore, an appeal was filed against the decision given to deposit Rs. 1,279,437 in the Labour Adjudication Authority in a case filed by a driver of the National Lottery Board due to his compulsory retirement, and the appeal case is currently pending before the Supreme Court.	According to accounting standards, the relevant and requested information must be disclosed in the financial statements.

### 1.5.2 Accounting Deficiencies

Audit Observation	Comment of the Management	Recommendation
(a) When accounting for lottery prize payments in the year under review,	The difference in the balances of the prize reserves account in	Necessary provisions should

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| <p>the prize payments of Rs. 199,381,719 under special numbers related to 05 types of lotteries had been accounted for them using the prize reserves of the previous year instead of the Board's normal prize payment pattern.</p>   | <p>relation to the 07 lottery categories drawn as of December 31 of the year under review has been correctly adjusted in the prize expense accounts relating to each lottery. Therefore, the profit for the year 2024 is accurate.</p>   | <p>be enhanced to ensure that the prize payments under the special numbers relating to the year under review are also made under the normal prize payment pattern.</p> |
| <p>(b) Contrary to the provisions of Section (4)16 of the Finance Act No. 11 of 1963 and Sections 4(4) and (4)5 of the Amendment Act No. 35 of 1997, Rs. 76,501,720 in unclaimed special cash prizes exceeding 06 months in 05 types of lotteries conducted from 01 January to 30 June 2024 had not been credited to the Consolidated Fund and had not been identified and accounted for as a payable liability.</p> | <p>The special consumer promotion prize money will not be confiscated and the money allocated for those prizes will be kept in the relevant prize reserves fund and the prizes that were not presented by the prize winners will be given back as future special prizes. Therefore, that amount will not be recorded as a payable to the treasury.</p> | <p>According to the provisions of the Act, all unclaimed cash prizes that have been outstanding for more than 6 months must be given to the Consolidated Fund.</p>     |
| <p>(c) The total amount deposited by lottery sales agents into the People's Bank Collection Account from January 01 to December 31, 2024, amounting to Rs. 37,584,371, was shown as an unidentified credit balance in the bank reconciliation statement presented as of 31 December without being accounted for in the financial statements of the year under review.</p>  | <p>The unissued bills values of the Board's deposited by the sales agents in the People's Bank collection account as at 31st December 2024 is Rs. 37,584,370.93 and this is clearly presented in the bank reconciliation statement. This amount includes the cash deposits deposited by the district sales agents.</p>                                 | <p>The values deposited by sales agents into the Board's bank account must be promptly reconciled and treated to the relevant accounts of the Board.</p>               |
| <p>(d) When comparing the daily lottery sales revenue reports obtained from the Board's Fortune computer system, a decrease of Rs. 119,600 had been cited in the lottery sales revenue reported in the financial statements for the year under review.</p>   | <p>The result observed is due to several bugs in the Fortune computer system software. However, since the National Lottery Board does not own the source code of this software and the service provider has been removed from service since 2015, it has not been possible to provide a permanent solution to solve this problem.</p>                  | <p>Revenue must be accounted for accurately in accordance with accounting standards.</p>   |
| <p>(E) The loan balance of Rs. 1,518,203 due from two employees of the Board had been shown as miscellaneous income receivable in the financial statements presented as at 31 December 2024.</p>   | <p>This amount will be recorded in future accounts as an employee loan receivable.</p>   | <p>Financial statements must accurately classify and disclose accounting information.</p>  |

### 1.5.3 Unreconciled Control Accounts or Reports

Audit Observation	Comment of the Management	Recommendation
According to information obtained from the Department of Motor Traffic, 06 motor vehicles registered with the Department in the name of the Board had gone missing and no information about those motor vehicles had been recorded with the Board.	These cars are about 20 years old and the National Lotteries Board does not currently have the records of these cars. Therefore, an inquiry was made to the Department of Motor traffic regarding these matters and, as per the instructions given by them, a letter has been sent to the Department of Motor Traffic requesting that the Board inquire when presenting the documents for title change of the said vehicles or when presenting the documents for revenue licenses renewal for the said vehicles.	Since these vehicles are registered with the Department of Motor Traffic in the name of the Board, an investigation should be conducted immediately and the progress reported to the Chief Accounting Officer.

## 1.6 Receivable and Payable Accounts

### 1.6.1 Money Receivable

Audit Observation	Comments of the Management	Recommendation
(a) Due to lottery tickets were sold on credit without obtaining bank guarantees or other adequate security to 41 district sales agents, Rs. 58,036,119 should have been collected from them by the end of the year under review.	The Board conducts special draws for lottery tickets drawn by the Board and in such cases, lottery tickets are issued on credit basis not only on bank guarantees but also with the approval of the Board of Directors. The outstanding credit balance for such special draws as on 31.12.2024 is Rs.58,036,119 and the balance due as on 30.04.2025 is Rs.7,601,715.00.	Security guarantees covering the maximum limit of the loan should be obtained from sales agents who sell lottery tickets on credit.
(b) Although a balance of Rs. 114,339,109 should have been collected from the 04 staff sales representatives and 79 passive lottery representatives, the balance confirmation letters for that balance had not been submitted to the audit.	The Finance Division has sent letters by registered mail to confirm the outstanding balance as at the end of each year and the District Sales Representatives have also been informed about this through e-mail and through the Regional Managers. Since it has been stated in the letters sent to them that if the balance is not confirmed and informed, the balance will be considered as the	Arrangements should be made to provide balance confirmation letters from all debtors to the audit.

correct balance and further action will be taken, those balances have been considered as the correct balance.

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| (c) | Although the receivable balance of 11 sales agents according to the Board's accounts had been Rs. 9,399,449, as per the balance confirmation letters the balance had been Rs. 3,082,409, resulting difference had been of Rs. 6,317,040.   | Balance confirmation letters are sent to the sales agents as above, including the existing loan balance as of 31.12.2024. If the loan has been settled by the date of balance confirmation, most of the district sales agents do not inform the balance confirmation as of 31.12.2024. Accordingly, the settlement of the existing loan balance has been done promptly by these district sales agents and if the balance is not confirmed and sent, the letters sent to them have informed that the balance will be considered as the correct balance and further action will be taken, so the balance has been considered as the correct balance | The reasons for the difference should be investigated and steps should be taken to correct the accounts.   |
| (d) | Although, the balance of the sales agent bearing number A-091, to which the balance confirmation letters had been sent, was stated as Rs. 963,000, a difference of Rs. 366,708 had been observed due to the balance stated in the Board's accounts being Rs. 596,292.            |   |  |
| (e) | Due to the fact that 41 lottery agents had been allowed to sell passive lottery tickets without bank guarantees or other security, it had not been possible to recover the balance of Rs. 9,597,376 due from those agents as at end of the year under review.                    | The outstanding loan balance for more than 3 months as on 31.12.2024 is Rs.9,597,376 and the amount due is currently Rs.5,278,110. Legal action is being taken for this outstanding loan balance.   | The Board should obtain security guarantees covering the sales value of lottery tickets sold on credit and steps should be taken to promptly recover the money due to the Board. |
| (f) | The 30 passive lottery sales agents who had provided bank guarantees had made sales on credit exceeding the value of the bank guarantee, by reason of that, it had not been possible to recover the sales of Rs. 21,131,129 that had been made in excess of the guarantee value. | In addition to bank guarantees, lottery tickets are given on loan for special draws with the approval of the Board of Directors and the loan amount provided in excess of the bank guarantee value has been settled except for one balance. that debtor is also paying in instalments and the current loan amount is Rs. 1,773,408.55.  | The sales value and collateral value of the current loan should be reviewed and necessary amendments should be made.   |
| (g) | The amount of Rs. 1,086,759 related to the sale of Sewana, Samurdhi and Special Lottery tickets, which had been sold on  | The outstanding balance of loans over 5 years, which were sold on credit to the Welfare Association and an officer of the National  | Since general public who purchase lottery tickets purchase all   |

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| <p>credit to the Board's Welfare Association and a staff officer, has remained outstanding for over 5 years and adequate and appropriate measures had not been taken to recover the relevant outstanding amounts.</p>   | <p>Lotteries Board, is Rs. 1,086,759.00.</p>   | <p>lottery tickets in cash, the Board should take steps to recover the dues without delay and disciplinary action should be taken against the relevant officer in accordance with the Establishments Code.</p> |
| <p>(h) Adequate and appropriate action had not been taken against the relevant sales agents to recover the outstanding amount of Rs. 964,678 relating to the Dollar Fortune Lottery and the outstanding amount of Rs. 4,150,280 relating to the Colombo Airport Super Draw Lottery according to the Board's financial statements.</p> | <p>A case is being filed in the Fort Magistrate's Court regarding the recovery of outstanding amounts related to the Colombo Airport Super Draw Lottery and a civil case has been referred to the Attorney General's Department for filing.</p> <p>The Committee Report dated 2024/03/11 submitted to the Board of Directors regarding the outstanding amounts of the Dollar Fortune Lottery has been submitted to the Debt Recovery Committee with a request to make recommendations for submission to the Attorney General's Department to initiate legal proceedings.</p> | <p>Legal action should be taken immediately and timely to recover the outstanding amount.</p>  |
| <p>(I) Sales on credit made to Sales Agent No. A-202 without a formally signed agreement Rs. 1,234,775 has been outstanding for a period of 3 to 5 years and adequate and appropriate steps had not been taken to recover the outstanding amount.</p>   | <p>Agreed. The Additional General Manager's signature on behalf of the Board was not included in the agreement from February 20, 2017 to August 20, 2019. Legal proceedings have now been initiated for the existing loans on behalf of Sonelta Holding Private Limited (A202).</p>  | <p>Action should be taken without delay to recover outstanding amounts.</p>  |
| <p>(j) The loan balances totalling Rs. 713,393.54 from the distress loans which was given to 5 officers, Although, the relevant officers had failed to repay since 2012, 2017, 2018 and 2019, the Board had failed to recover the outstanding loan balances until the end of the year.</p>  | <p>A report was reviewed regarding this debt and a plan was made to refer it to the Debt Recovery Committee and necessary steps were taken. The Audit and Management Meeting and the Board of Directors meetings have been informed about this matter. Accordingly, as a preliminary step</p>  | <p>Necessary action should be taken to recover outstanding amounts.</p>  |

to take legal action to recover the arrears mentioned herein, a letter of demand had been sent by registered post. It is then scheduled to be referred to the Mediation Board for resolution.

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| (k) | Although, the total due loan balance of Rs. 1,518,204 from housing loans given to two officers who served in the Board had been in arrears for a long time, no action to recover the said loan amount or no legal action had been taken regarding the pledged property. | An amount of Rs. 1,316.18/- has been settled in the year 2024 and the balance currently stated at Rs. 1,518,204/-. | Legal action should be taken against the pledged property to recover the outstanding amount. |
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#### 1.7 Non-Compliance with laws, rules, regulations and management decisions

Reference to laws, rules and regulations	Non-compliance	Comments of the Management	Recommendation
(a) Section 10(5) of the Finance Act No.38 of 1971 and section 17(2) of the Finance Act No.11 of 1963 amended by the Finance Act (Amended) No.35 of 1997	Although, the balance after deducting the expenses specified in the Act from the lottery revenue should be credited to the Consolidated Fund, the total retained profits at the end of the year under review, amounting to Rs. 4,040,535,807, had been hold within the Board without being credited to the Consolidated Fund.	the amount of 410 million and Rs. 650 million from the profit generated from operating and investment activities in the year 2023, together with Rs. 1,060 million, have been credited to the Consolidated Fund of the Government. Furthermore, the profit related to the year 2024 will be credited to the Consolidated Fund in the future as per the needs of the Government.	The Actions should be taken in accordance with the provisions of the relevant Act.
(b) Section 16(4) of the Finance Act No. 11 of 1963 and Sections 4 (4) and 5(4) of the Amendment Act No. 35 of 1997.	Any prize not awarded after the expiry of a period of six months from the date of such draw of the National Lottery conducted by the Board shall be forfeited and the value of such prize shall be	A special gazette notification bearing No. 2387/37, which published the procedures of the National Lotteries Board, has been published on June 06, 2024, regarding the non-crediting of these special	According to the provisions of the Act, all cash prizes awarded in every lottery drawing conducted by the Board that have not been claimed by the entitled



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|  | credited to the Consolidated Fund. However, the forfeited special cash prizes of Rs.76,501,720 which were unclaimed for more than 6 months in 05 types of lotteries had not been credited to the Consolidated Fund. | consumer promotional prizes to the Government Consolidated Fund. | person within 06 months must be confiscated and transfer to the Consolidated Fund. |
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- (c) Department of state finance Circular No. 2019/08 dated 17th December 2019.
- Although, since 2019, public institutions including state corporations are required to operate the electronic government procurement (E-GP) system introduced under the website [www.promise.lk](http://www.promise.lk), no procurement has been carried out by the Board under that system.
- The National Lotteries Board has registered under the Electronic Government Procurement (E-GP) system introduced under the website [www.promise.lk](http://www.promise.lk) and has now commenced procurement activities under the Electronic Government Procurement (E-GP) system.
- Action should be taken as per the circular provisions.
- (d) Public Enterprises Department Circular No. PED 1/2015 dated 25th May 2015.
- the amount of Rs. 10,690,970 had been spent during the year under review to pay monthly fuel allowances of 110 litres each to 21 junior managers (JM 1-1) who are not entitled to fuel allowances, transport allowances of Rs. 35,000 each to 22 officers, monthly fuel allowances of 25 litres each to 15 management assistant (MA 1-2) officers and transport allowances of Rs. 6,000 each to 05 officers.
- It should kindly inform you that, the current transportation system for field officers will continue to be followed in order to continue the work of the National Lotteries Board and to achieve its sales. A request has been made to the Secretary of the Ministry of Finance to approve this transportation system and kindly inform you that the Lotteries Board cannot be operated based on Public Administration Circular 22/99, which is completely incompatible with the duties and responsibilities of the officers of the National Lotteries Board.
- Until a separate transport and fuel allowance scheme is approved for the National Lotteries Board, the current State Enterprise Circular for that purpose should be complied with.

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| <p>(e) Section 4 of the Public Enterprise Department Circular No. PED 2/2015 dated 25 May 2015 and No. PED 2/2022 dated 18 January 2022.</p> | <p>No of 23 mobile phones worth Rs. 1,873,664.33 and no of 06 iPads worth Rs. 436,600 were given to 19 officers including the former Chairman of the Board, in violation of the circular provisions, while an iPad and a MacBook worth Rs. 282,657, which were given to a former Board of Directors member, had not been handed over to the Board up to date.</p>                    | <p>The Board had been purchasing and providing mobile phones to mid-level and senior officials for official duties for many years, and the need for them increased during the COVID-19 pandemic. Accordingly, in order to bring these matters under some control, an amendment to the system was made in 2022 with the approval of the Board of Directors. Legal proceedings have been initiated against the former Acting Director.</p>  | <p>Action should be taken in accordance with the provisions of the circular.</p>   |
| <p>(f) Procurement Guidelines of the Democratic Socialist Republic of Sri Lanka – 2006</p>   |  |   |  |
| <p>(i) Section 3.6</p>   | <p>Although a re-order can be placed as an extension of the contract only in special cases where the need for additional goods has not been foreseen and identified before 6 months have elapsed from the date of award of the original contract, the Board has extended the contract period for the procurement of lottery ticket printing on a number of occasions since 2019.</p> | <p>Due to practical issues that arose during the procurement process and factors beyond the control of the procurement process, it has taken a significant amount of time to complete the procurement processes, In order to ensure uninterrupted supply of lottery tickets to the market within that time frame, with the approval of the Board of Directors, steps have been taken to extend the contract period with the printing houses that printed the lottery tickets at that time or to obtain the printing of the lottery tickets through interim procurement.</p> | <p>Procurement activities should be planned and implemented correctly by ensuring the new supplier can be selected before the contract period of the suppliers selected under pre-procurement expires.</p> |

(ii) Clause 4.2.1 (b) and (c)	Although a master procurement plan should be prepared and approved, including the expected procurement activities for a period of at least 03 years, a detailed procurement plan including the procurement activities related to the printing of lottery tickets of the Board from 2019 to 2024 had not been prepared and approved.	The Master Procurement Plan for the years 2025, 2026, 2027 and the Detailed Procurement Plan for the year 2025 have been submitted to the Ministry of Finance for approval after obtaining approval under Board of Directors Paper 3883(14).	The provisions of the Procurement Guidelines should be followed.
(iii) Section 4.4	Separate procurements had been made for the purchase of 20,000 sales assistant T-shirts worth Rs. 22,974,600, 3,000 sales agent T-shirts worth Rs. 3,825,000 and 1,075 staff T-shirts worth Rs. 1,386,750, which could have been made under one procurement in the year under review.	The above procurements were implemented under 03 procurements for 03 periods under 02 procurement plans for two years and 03 different technical specifications.	The provisions of the Procurement Guidelines should be followed.
(g) Cabinet Paper No. 009/601/0199/23 dated 30 January 2023 and Cabinet Decision No. 009/601/0199/123 dated 07 February 2023.	Although only the services of lawyers working in the Attorney General's Department should be obtained for litigation in government institutions, Rs. 5,314,650 had been spent on obtaining the services of 06 private lawyers to represent the Board in a case filed by a printing contractor.	Agreed with the Auditor General's observations.	Action should be taken in accordance with the relevant Cabinet decisions.

## 2. Financial Review

### 2.1 Financial results

The total income of the Board was Rs.37,983,206,760 in the year under review and the income in the preceding year was Rs.32,014,201,280. Accordingly, the income of the Board had increased by Rs. 5,969,005,480 i.e. 18.64 percent comparatively to the preceding year. However, due to an increase in cost of sales by Rs. 4,284,008,555, value added tax and social security contribution tax by Rs. 615,311,886 and administrative expenses by Rs. 71,254,399, the net profit before tax for the year under review was Rs. 1,693,267,855, which was a decrease of 4.45 percent of the total income of the Board.

### 2.2 Trend Analysis of key income and expense subjects

The under-mentioned observations are made in relation to the sales, marketing and distribution expenses administrative expenses of the Board in 2024 and 2023.

Description	Year		Difference Rs.	Difference as a percentage %
	2024 Rs.	2023 Rs.		
Sales, marketing and distribution expenses	1,158,486,156	1,408,116,521	249,630,365	17.73
Administrative expenses	1,128,174,614	1,056,920,215	71,254,399	6.74

When comparing with the preceding year, sales, marketing and distribution expenses had decreased by 17.73 percent and administrative expenses had increased by 6.74 percent.

### 2.3 Ratio Analysis

An analysis on profit and working capital ratios is as follows in the year under review and the preceding year.

Ratio	Years		Difference %
	2024	2023	
(i) Gross Profit Ratio (percent)	8.01	6.3	1.71
(ii) Net Profit Ratio (percent)	3.96	2.03	1.93
(iii) Current Assets Ratio (Number of times)	2.28:1	2.44:1	(0.06)
(iv) Quick Assets Ratio (Number of times)	2.27:1	2.42:1	(0.05)

The gross profit and net profit ratio of the Board were 8.01 percent and 3.96 percent respectively in the current year and such ratios were 6.3 percent and 2.03 percent respectively in the preceding year. Accordingly, gross profit and net profit ratios in the current year had increased by 1.71percent and 1.93 percent respectively comparative to the preceding year.

### 3. Operating Review

#### 3.1 Uneconomic Transactions

Audit Observation	Comments of the Management	Recommendation
(a) The Board had spent Rs. 361,550 on hotel accommodation and food and beverage expenses for the inauguration ceremony of the establishment of an Enterprise Resource Management (ERP) System.	According to the approval of the Board of Directors, arrangements have been made to hold the said inauguration ceremony at the Samudra Hotel premises, operated under the Government-affiliated State Hotels Corporation in the Colombo area, at a cost of Rs. 361,550.	The provisions of the Public Finance Management Circular should be applied when spending the Boad's funds.
(b) The Board had to submit bank guarantees to the Department of Inland Revenue due to an income tax issue related to the funds remitted to the Treasury, and Rs. 2,968,549 had been paid as bank guarantee fees during the year under review, while Rs. 16,178,698 had been paid as guarantee fees in the previous year. This issue had arisen in relation to the funds which was contribute to the Consolidated Fund from the lottery sales proceeds and due to the failure to reach an agreement between the Board, the Department of Inland Revenue and the Ministry of Finance, unnecessary bank charges had to be incurred.	The tax appeal for 2017/2018 is currently being investigated by the Commission and the Board is unable to disclose anything regarding the time it will take to issue a decision. Requests have been made to the Ministry of Finance on several occasions, both written and verbal, with the aim of obtaining the intervention of the Ministry of Finance regarding the above issue.	The Board shall reach an agreement with the Inland Revenue Department regarding the manner in which contributions to the Consolidated Fund will be allowed for in the calculation of income tax.

#### 3.2 Identified Losses

Audit Observation	Comments of the Management	Recommendation
(a) Due to a delay of 6 1/2 months in awarding the contract in the procurement for printing 5 types of lotteries from 01 April 2024, the printing had to be done through other emergency procurements. As a result, the Board had to incur an additional cost of approximately Rs. 48,567,542 which could have been avoided.	A preliminary investigation has been conducted in this regard and the report has been received. Accordingly, will submit a detailed response in this regard in the future.	Necessary steps should be taken to complete the procurement work within the estimated time frame as per the provisions of the Procurement Guidelines.

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| <p>(b) Due to a 6-month delay in awarding the contract for the procurement of instant (scratch) lottery tickets, the contract period of the previous supplier had to be extended. As a result, an additional cost of approximately Rs. 5,437,500 had to be incurred which could have been avoided.</p>  | <p>Due to the shortage of printing paper and other printing raw materials that affected the printing sector due to import restrictions and foreign exchange remittance issues resulting from the economic downturn in 2022, the printing contract agreement period of the existing printing supplier has been extended by 06 months until a qualified printing supplier is selected in the procurement initiated in 2022, subject to the approval of the Board of Directors.</p> | <p>Necessary steps should be taken to complete the procurement work within the estimated time frame as per the provisions of the Procurement Guidelines.</p>   |
| <p>(c) Due to the failure to print lottery tickets based on accurate forecast data, 20,241,950 tickets were left in the warehouse without being distributed to agents in the year 2024. Also, 110,972,541 tickets were returned by agents. Due to this failure to print lottery tickets based on accurate forecast data, the Board had to incur an avoidable printing and transportation cost of approximately Rs. 106,945,990.</p> | <p>The audit showed that 1,072,546,400 lottery tickets were printed in 2024, of which 20,241,950 tickets remained in stock, and 110,972,541 tickets were returned. However, there is a practical problem with the accuracy of this data. This includes lottery tickets that are separated from the data system for SMS lottery tickets that are not printed.</p>   | <p>Since printing too many lottery tickets results in unnecessary printing costs and unnecessary transportation costs, efforts should be made to print lottery tickets based on accurate data as much as possible.</p> |

### 3.3 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
<p>(a) The Board had increased the price of a lottery ticket sold at Rs. 20 from July 06, 2023 to Rs. 40 by 100 percent. The number of lottery tickets sold in the year prior to the increase in the price of a lottery ticket was 1,298,009,942, and after the increase in the price, the number of lottery tickets sold in the year 2024 was 821,763,940, so the number of lottery tickets sold after the increase in the price had decreased by 476,246,002 or 37 percent.</p>	<p>Compared to other consumer goods and services, lottery is not a necessity for the consumer. However, lottery is a product that is marketed to arouse the expectation of winning in the consumer and never loses any utility to those consumers due to the loss of its consumption. In such a situation, it is not possible to expect a consumer behaviour in which the lottery consumer spends the amount of money</p>	<p>Necessary steps should be taken to increase the Board's lottery sales.</p>

- allocated from his income for lottery at the expense of other needs.
- (b) On the recommendations of the Zonal managers, Rs. 14,871,500 had been provided to the Sales Agents and Sales Assistants as benefits in the event of disasters. It was observed that the scheme was being implemented illegally and there was a risk of irregularities in the provision of benefits due to the fact that the Board had no direct relationship with the Sales Assistants receiving these benefits, their information had not been recorded, and sufficient commission had been allocated for the sale of lottery tickets, and there was no provision in the Act for such a payment.
- (c) The Board had been paid Rs. 9,700,000 for the deaths of 86 sales assistants in the year 2024 without any legal provisions, of which Rs. 2,000,000 had been paid for the accidental deaths of 9 individuals and Rs. 7,700,000 had been paid for the natural deaths of 77 individuals.
- (d) The amount of Rs. 17,689,632 was spent during the year under review from the Asara Sarana Fund, which was established by crediting 0.005 percent of the lottery sales revenue with the aim of obtaining funds required for the treatment of the public suffering from various diseases, and Rs. 16,041,132, (which is 90 percent), was spent on other activities contrary to the objectives of establishing the fund.
- Due to the fact that payments to the Insurance Corporation were made in excess of the benefits provided under the system implemented through the Sri Lanka Insurance Corporation from 01 April 2015 to 31 March 2017, steps have been taken through the institution to implement a system of providing benefits directly to the sales network instead of the relevant system.
- Agreed with the Auditor General's observation.
- Funding for the Asara Sarana Fund is provided through voluntary donations from lottery winners, contributions from incentive grants by the staff of the institution (e.g. Neeroga Lottery). This fund was implemented under the approval of the Board of Directors No. 3551 - 2 dated 08.10.1998.
- Controls should be improved to keep the information of sales agents and sales assistants up to date and to accurately identify the parties who should receive the benefits, and the scheme should be implemented legally.
- Sales assistant welfare activities should be carried out by sales representatives.
- According to Public Finance Circular No. 01/2020 dated August 28, 2020, such funds should not be maintained.

### 3.4 Operating Inefficiencies

Audit observation	Comments of the Management	Recommendation
(a) Although the number of rooms that can be used in a year at the	The Anuradhapura Resort, which was built about 30 years	Necessary steps should be taken to

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| <p>Anuradhapura Tourist Resort is 2,555, only 338 rooms were used in 2023 and 254 rooms from January to 31 August 2024. Similarly, although the number of rooms that can be used in a year at the Mannar Tourist Resort is 1,825, only 101 rooms were used in 2023 and 70 rooms from January to 31 August 2024.</p>  | <p>ago, is currently in need of a complete renovation. This has led to a decrease in room bookings.</p> <p>The fact that the Mannar Resort is located in an area where tourist arrivals are very low has been the main reason for the decrease in room bookings at that resort.</p>   | <p>rectify the shortcomings of the tourist bungalows and ensure their full utilization.</p>    |
| <p>(b) The 05 trucks, 03 vans and 02 motorcycles had not been driven for over 03 years of the vehicles owned by the Board, and these vehicles had been parked outdoors in the garage of the Vauxhall land owned by the Board. No steps had been taken to repair and use these vehicles or to dispose of them if repair was not economically viable.</p>  | <p>The Mitsubishi Canter truck is scheduled to be sent for repair after completing the procurement process, while the other 04 trucks and 03 vans are being prepared for sale following the procurement procedure. There are two motorcycles and these two motorcycles have been prepared to be provided to field officers.</p> | <p>A decision that is economically beneficial to the board should be implemented promptly.</p> |
| <p>(c) Due to the contract for the maintenance of the Fortune computer system, which had been purchased from a company to conduct lottery draw operations, having been terminated since 2015, the performance of this system had deteriorated as the number of lottery tickets returned to the board increased and errors had continuously appeared in the return invoices printed by the system, but these errors had not been corrected to date.</p> | <p>Since the National Lotteries Board does not own the original source codes of these systems, some errors have not yet been fully corrected and solutions are provided by the Board's Information Technology Division when such problems arise.</p>  | <p>When weaknesses are observed, necessary improvements to the system should be made.</p>      |

### 3.5 Procurement Management

Audit Observation	Comments of the Management	Recommendation
(a) The relevant procurement activities for the selection of advertising agencies for the year 2024/2025 to advertise the advertisements of the National Lotteries Board had not been completed up to the date of	As per the recommendation of the Technical Evaluation Committee of the procurement conducted for the selection of advertising agencies for 2023/2024, 03 advertising agencies were selected in the final stage and the	The necessary steps should be taken to complete the procurement activities within the stipulated time by adhering to the



issuance of this report.

recommendation was submitted to the Departmental Procurement Committee. The Departmental Procurement Committee advised that the procurement carried out is similar to a process of registering suppliers. Therefore, it is not a procurement and the suppliers, including the 06 pre-qualified (pre-qualified) advertising agencies, have been selected and prices have been called for the advertising activities.

provisions of Government Procurement Guidelines.

- (b) Even though the office space requirement of the Board was about 40,000 sq. ft., the size of the building in which the current office is located at No. 32, Mudalige Mawatha was 28,885 sq. ft. Although the Cabinet approval had been given to lease this building for only 2 years, this building was put into use by extending the lease period from 01 September 2018 by each and every two years without carrying out the necessary procurement activities to procure another building suitable for the requirement.

Although several procurement processes or direct purchase methods are continuously being implemented to provide a building for the Board, under practical circumstances, such agreements have been extended from time to time for a period of one or two years for the use of this building for office purposes. Due to the difficulty in presenting the exact period for which the building is to be used to the Cabinet, it has not been possible to obtain the approval of the Cabinet. However, continuous efforts have been made since the year 2025 to obtain a building with adequate facilities and space for the office purposes of the Board.

Attention should be paid to maintaining the Board's business premises at a high rent.

#### **4. Accountability and Good Governance**

##### **4.1 Action Plan**

Audit Observation	Comments of the Management	Recommendation
Although the progress of the tasks outlined in the action plan prepared by the Board for the year 2024 should be measured physically and financially on a quarterly, half-yearly and annual basis, a progress report had not been prepared at the end of the year to measure the performance of those tasks.	have prepared the progress of the action plan for each year on a quarterly and annual basis and recorded it to inform the management and to forward the annual progress review report to the Audit Division.	The activities in the action plan should be reviewed periodically and necessary corrections should be made.

## 4.2 Budgetary control

Audit Observation	Comments of the Management	Recommendation
<p>When comparing the budgeted data prepared by the Board for the year 2024 with the financial statement data, differences ranging from 6 percent to 1,354 percent were observed between the values of 09 items in the income statement and the budgeted values, and differences ranging from 12 percent to 333 percent were observed between the values of 18 items in the statement of financial position and the budgeted values, indicating that the budget document had not been used as a cost control tool.</p>	<p>In the future, will work to maintain the estimated budget and actual expenses close to or in line with it, and if there are circumstances that require a revision, we have noted that steps will be taken to revise the budget.</p>	<p>Budget data should be prepared as accurately as possible and used as a financial control tool.</p>

## 4.3 Other matters

Audit Observation	Comments of the Management	Recommendation
<p>The Board had obtained the necessary approvals to construct a building on the land located on Vauxhall Road, Colombo, measuring 112.5 perches, worth Rs. 500 million, which was purchased by the Board in 2009. In 2018, Rs. 27,003,862 had been spent on its design plans, but 7 years had passed since the construction work had begun.</p>	<p>Although the approval of the Ministry of Finance was obtained to construct a permanent building and the work was being carried out, the construction work had to be stopped as per the orders of the Ministry of Finance itself. The Board was saving money in a building construction fund account to carry out the work of constructing a permanent building without burdening the General Treasury, but even though the Ministry of Finance received that money, the Board has not abandoned the construction of the building.</p>	<p>In order to effectively utilize the land owned by the Board on Vauxhall Road and construct a building on that land, the amount of Rs. 27 million spent on design plans in 2018 should be planned to construct the relevant building in a way that does not constitute an uneconomical expenditure.</p>