

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 2025 comprising the statement of financial position as at 31 December 2025 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, 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 reported to Parliament, appear in this report.

In my opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 December 2025, 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 (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

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

In preparing the financial statements, management is responsible for assessing the Fund'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 intend 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 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 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 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.

Audit scope 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.

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a surplus of Rs. 106,356,702, and the corresponding deficit in the preceding year amounted to Rs. 324,154,748. Therefore, an improvement amounting to Rs. 430,511,450 of the financial result was observed.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
In accordance with Paragraph 6 of the report dated 02 July 2025 submitted by the Fund Review Committee appointed to address matters regarding Non-Statutory Funds under Section 39 (4) of Part VIII of the Public Financial Management Act, No. 44 of 2024 approved by the Cabinet Decision No. CP/25/1531/804/179 dated 04 September 2025, this Fund had been identified as one to be taken further action based on the instructions of the Attorney General. Although the instructions of the Attorney General had been obtained, the measures to be taken regarding the future existence of the Fund and the related legal procedures had not been finalized even by the date of this report.	The relevant decision has been received following consultation with the Attorney General, and the Department of Public Finance has been made aware in this regard. Further action is being taken regarding these funds through special committees appointed as per the discussions of the Audit Management Committee to formalize these tasks of the Department.	Since the timeframe given for the relevant activities under sub section (4) of Section 39 of the Public Financial Management Act, No. 44 of 2024 has expired, the future measures to be taken regarding this fund should be finalized expeditiously, taking into consideration the instructions of the Attorney General and relevant legal requirements.

3.2 Operational Inefficiencies

	Audit Observation	Management Comment	Recommendation
(a)	Even though an additional Rs. 1,400,000 had been released, including the first phase allocations of Rs. 136,650,000 for the Batticaloa and Ratnapura Districts for 911 houses under the special housing program during the year under review, Rs. 13,350,000 of these amounts had been remitted back to the Head Office because the programs were not implemented. Further, Rs. 662,600,000 had been spent on 1,377 houses in 2024, and only Rs. 123,050,000 was spent on 918 houses during the year under review. Accordingly, expenditure on the housing program decreased by Rs.539, 550, 000 i.e. 81percent compared to the previous year. The implementation of the housing program during the year under review had been limited because the relevant Circular was issued in August 2025 and provisions were released in November and December.	Even though plans were made in March to launch the housing program for 2025, the issuance of the relevant Circular was delayed pending the selection of the families designated for housing empowerment. Accordingly, a circular was issued in August 2025, following instructions received while the families to be empowered were being selected at the District level. Subsequently, the Circular must be disseminated to the District and Divisional secretary's Divisions as well as the grassroots level and housing proposals should be selected and recommendations should be obtained. The Head Office should then evaluate these proposals, select suitable ones, and submit the same to the Samurdhi Housing Development Lottery Trust Fund Board for approval. Accordingly, money was released during November and December of 2025. Money was released for 911 houses and an amount for 100 houses was subsequently credited back to the housing account of the Head Office due to Cyclone "Ditwah."Unlike in other years, Money sufficient to construct the large number of houses has not been credited to the housing account of the Head Office for the housing program. Therefore, Housing Development Lottery Trust Fund Board has discussed to provide 1020 houses at a rate of 03 per Divisional secretary's Division, along with a limited number of houses for appeals. Since the housing fund is decreased, it has been planned to provide houses in this manner for the next few years.	Management should take actions to issue the necessary Circulars and guidelines in a timely manner for the implementation of the housing program, and to release provisions early enough to allow sufficient time for executing the approved programs.

- (b) A sum of Rs. 3,750,000 had been granted for the construction and renovation of 07 houses within the Embilipitiya Divisional Secretary's Division.
- (i) As per the "Selection Process"- Section 3 II under Program 01 of Samurdhi Circular No. 2024/03 dated 07 February 2024; a family owns a land should be selected for constructing houses. However, one beneficiary didn't have a legal ownership document for the land selected to build their house, and another beneficiary's house was constructed on land owned by the Mahaweli Authority. Accordingly, there had been an issue regarding the transparency of the selection process, as the qualifications specified in the Circular had not been adequately verified in selecting the beneficiaries.
- A sum of Rs. 750,000 has been released to the Ratnapura District Office for a beneficiary under the 'Ranvimana' housing scheme. It has been confirmed that, under a grant issued in her name by the Land Registry in 2024 pursuant to Subsection 4 of Section 19, she is entitled to a portion of the original land. Accordingly, ownership of a land that has been formally transferred in accordance with Circular No. 2024/3 will be accepted.
- The housing proposal for a beneficiary has been released to the Ratnapura District Office under the appeal housing project for an amount of Rs. 750,000. A letter from the Mahaweli Authority has confirmed that the land in question belongs to the Authority. In accordance with Circular 2024/03, permission has been granted to construct houses based on the relevant agreement, even though there is no ownership right.
- In the coming year, in providing assistance for construction of house which is a core function of the Fund, action should be taken to select beneficiaries in accordance with the instructions provided by Circulars, and to release funds only after confirming the legal ownership of the lands and action should be taken to prevent such situations in the future.
- (ii) Even though according to the above Circular, housing constructions had to be completed and finalized all payments before 15 November 2024, despite receiving a housing aid of Rs. 750,000 to a beneficiary, only the large foundation of the house had been constructed, and the remaining construction work had not been carried out. Accordingly, financial aid provided had not been utilized in a timely manner for the intended purpose.
- Housing financial aids of Rs. 750,000 have been provided to a beneficiary under appeals. This amount was released to the District in three installments of Rs.250, 000 each, dated 20 November 2024, 31 January and 11 April 2025. It has been informed that housing construction activities implemented within the District should be completed before 15 November 2024. Since it has been informed that an amount of Rs. 50,000 is being held in the account under her name at the Samurdhi Bank, instructions
- A timely follow-up and monitoring mechanism should be implemented to ensure that construction activities are carried out in accordance with the timeframes and conditions specified in the Circular in providing housing aids, and necessary action should be taken in accordance with the provisions of the

	have been given to the District Director to release the said amounts before 15 May 2026 upon completion of the construction of the house.	Circular regarding beneficiaries who fail to complete constructions within the stipulated time.	
(iii)	Under the said program, a certain beneficiary who received a sum of Rs. 250,000 to construct a house had only laid the foundation for a large house using that money, and the remaining work on the house had not been commenced. Accordingly, the sum of Rs. 250,000 spent under this program had become an idle expenditure. Further, under the criteria for the housing project, it is mandatory to have at least 04 family members. Although it was specified that selecting a family experiencing severe poverty based on their economic status, a widowed family, or a family with a disabled person would be most appropriate, it was observed that the selected family consisted of only two members namely the beneficiary and her husband.	Since the beneficiary has a family of two members and they do not have a house to live in, the appeal made in this regard was considered, and a sum of Rs. 250,000 has been released with the approval of the Samurdhi Housing Development Lottery Trust Fund Board. As observed during the field inspection, the amounts had been utilized to construct the foundation for 03 rooms, a living room, and a kitchen. Although she made subsequent requests for money to complete the remaining work on the house, money has not been released for that purpose due to the limited provisions in the housing fund and the fact that the family consists of only two members. Due to extreme poverty, the beneficiary has migrated abroad, and the construction of the house will be completed as soon as possible.	A formal arrangement should be implemented to verify the eligibility of beneficiaries in advance according to the relevant Circulars in providing housing aids, and to monitor construction activities in a timely manner after providing aids, ensuring that the money provided are effectively utilized for the intended purpose.
(c)	A sum of Rs. 2,000,000 had been provided for the construction of 03 houses and the renovation of one house within the Nivitigala Divisional Secretary's Division.		
(i)	Even though Rs.250, 000 had been provided to a beneficiary for the construction of the house, the construction was incomplete and unoccupied at the time of the audit. Further, the entire grant amount had been released before completing the construction, and the land selected for the house did not belong to the beneficiary. Accordingly, the financial aid had been released without adequately verifying the	Under the "Jayavimana" housing project, a sum of Rs. 250,000 has been given to a beneficiary. The Divisional Secretary has informed that the delay in finishing the construction of the house is due to a dispute between the husband and wife. Meanwhile, it is informed that they were summoned and counseled to solve their family dispute. A letter of consent has been granted in the presence of the Grama Niladhari of	Action should be taken to release the installment amount in line with the progress of the construction and to ensure through periodic monitoring that the provided financial aid is being used for the intended purpose.

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| | <p>beneficiary's land ownership and construction progress.</p> <p>the Division, stating the boundaries and confirming the right to construct a house on a land owned by the father.</p> | |
| <p>(ii) Among the said beneficiaries, one had been granted financial aid of Rs. 250,000 for the renovation of the house. However, the final installment had been released without the completion of the relevant renovation work. Accordingly, the installment amount had been released without adequately verifying the progress of the renovation activities.</p> | <p>A housing aid of Rs. 250,000 has been provided to a beneficiary for the renovation of the house. The housing project was granted with the approval of the Samurdhi Housing Development Lottery Trust Fund Board, based on the recommendations of the Samurdhi Development Officer in charge of the Grama Niladhari Division, Social Development Assistant, Community-Based Bank Manager, Community-Based Bank Society Manager, Headquarters Manager, Divisional Secretary, District Samurdhi Director. Due to the difficult access road to the house and their low financial status, they repaired and reinstalled an old door they already owned using the granted amount of Rs. 250,000 during the renovation of the house.</p> | <p>In releasing financial aids granted for the construction and renovation of the house, action should be taken to release the installment amount only after confirming that the tasks of each stage have been completed in accordance with the relevant provisions of the Circular, and to implement a formal monitoring and follow-up mechanism for that purpose.</p> |
| <p>(iii) Even though the full financial aid of Rs. 750,000 had been released for another beneficiary among the houses subjected to the audit test check, the construction of the respective house had not been completed by the end of the year under review. The construction could not be completed because it had commenced with an oversized foundation. Further, the land on which the house was constructed did not legally belong to the beneficiary.</p> | <p>This is a housing project for the year 2024. Overall, amounts have been released in 03 stages of Rs. 250,000 each for the Rs. 750,000 housing projects. It has also been notified through Circulars that money will be released in 03 stages depending on the completion of the work of the house at the level of Divisional Secretary's Divisions. Further, the Head office releases money to the Districts for housing from the proceeds received upon the maturity of investments of the Housing Lottery Fund. All installment amounts have been released to them subject to a written agreement that the remaining work will be completed prior to the opening of the house.</p> | <p>A formal monitoring mechanism should be implemented to release the relevant installment amount only after verifying the legal ownership of the land and the construction progress of each stage, in accordance with the provisions of the Circular.</p> |

- (d) During the years 2023 and 2024, 05 houses had been constructed and renovated within the Imbulpe Divisional Secretary's Division, incurring an expenditure of Rs. 2,750,000.
- (i) Even though Samurdhi Circular No. 2024/03 dated 07 February 2024, under Section 1 – "Implementation of Programs", states that laying large foundations should be avoided during construction of houses, the construction work of these houses remained partially completed due to the laying of large foundations, despite an amount of Rs. 750,000 each having been provided to two beneficiaries.
- It was verified by the report submitted by the Divisional Secretary that one beneficiary was selected for a housing project of Rs. 750,000 since he was living a very miserable life in a small wattle and daub house with his wife and two daughters. At present, under the guidance of the Divisional Secretary, arrangements have been made for the beneficiary and his family to occupy the house safely by installing the doors and windows. Money has been released for the housing project of Rs. 750,000 for the other beneficiary in the year 2023. His family consists of the beneficiary, his spouse, and two children. It has been reported that the house has been constructed with a completed value exceeding the allocated Rs. 750,000. The old temporary wattle-and-daub house is currently being used as the kitchen. It has been informed that the remaining work regarding the new kitchen will be carried out expeditiously.
- A formal monitoring mechanism should be implemented to ensure that housing designs and constructions comply with the provisions of the Circular, and to adequately verify the construction progress of the relevant stage before releasing financial aids.
- (ii) Among the said beneficiaries, another beneficiary had been granted Rs. 750,000 for house construction. According to the provisions of the Circular, the final report should have been obtained after completing all construction work of the house before releasing the final stage payment of Rs. 250,000. However, while the construction remained incomplete, the remaining balance had been paid, withholding only Rs. 50,000. Further, the instructions of the Circular to avoid laying large
- The beneficiary for a house worth Rs. 750,000 under the Special Housing Program was selected in accordance with Circular No. 2024/03. Although the construction work was carried out as the installment amounts were released, it is stated that the work could not be completed due to his critical medical condition. The Divisional Secretary has informed that since the construction has been disrupted by the beneficiary's health condition, necessary arrangements will be made to complete the construction of
- Action should be taken to make payments after verifying construction progress in accordance with the provisions of the Circular, and to implement an adequate supervisory mechanism.

foundations had also not been the house and facilitate for residency followed. within the next two months.

3.3 Procurement Management

Audit Observation	Management Comment	Recommendation
A procurement plan for the year under review had not been prepared by the Fund in accordance with the Paragraph 4.1.1(a) of the Procurement Guidelines 2024.	The procurement plan for the year 2025 was not prepared as there was no requirement to purchase any goods. However, the photocopier in the Division had been breaking down from time to time over the past year, posing a risk. Due to its gradual breakdown, an issue was arisen in preparing the documents related to the Housing Development Lottery Trust Fund Board. Since there were no other sources for considering financial provisions and no procurement plan had been prepared for this Fund, these purchases were made under procurement strategies.	Action should be taken to identify annual procurement requirements in advance, prepare a procurement plan in accordance with the Procurement Guidelines 2024, and carry out procurement activities in compliance with that plan.

4. Accountability and Good Governance

4.1 Budgetary Control

	Audit Observation	Management Comment	Recommendation
(a)	In accordance with Public Finance Circular No. 01/2020 dated 28 August 2020, and 877(1) (c) of Financial Regulations, the budget document prepared for the year under review should have been submitted to the Director General of National Budget for the approval of the General Treasury along with the approval of the Secretary of the Ministry, and a copy thereof forwarded to the Director General of Public Finance. However, action had not been taken accordingly.	The budget document prepared for the year 2025 has been forwarded to the Ministry, and approval of the Minister has been obtained for the same along with the recommendation of the Secretary of the Ministry through the letter No. mwca/acc/11/01/2024 dated 23 October 2024.	Action should be taken to ensure that the budget documents are submitted to the General Treasury after obtaining the necessary approvals as prescribed, and documents related thereto are maintained properly.

- (b) Even though the budget estimate certified on 07 August 2025 had been prepared after finalizing the lottery draw program of the Fund, provisions of Rs. 2,500,000 had been allocated for contracted services, capital expenditures, and development support related to the lottery activities, and these provisions remained entirely. Accordingly, it was observed that by budgeting provisions for a program that had already been terminated, the budget estimate had not been adequately utilized as an effective financial planning and control tool to accurately identify resource requirements and anticipated expenditures.
- The budget report and action plan were prepared with the expectation that the housing lottery draw program could be held in 2025, just as in previous years. Although allocated under contractual services, advertising expenses represent funds set aside to publicize specific program through television or newspapers and highlight their status to the public when the need arises. Although this amount was allocated for software development support to design computer programs and develop modules for gathering housing data at the District level, no such requirement arose during the year.
- In preparing the budget for the coming year, action should be taken to prepare it in a more realistic manner, and to revise it as and when necessary.