

Samurdhi Housing Development Lottery Fund - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Samurdhi Housing Development Lottery Fund for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and notes to the financial statements and including 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. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effect of the matters described in paragraph 1.5 of this report, the accompanying financial statements of the Fund give a true and fair view of the financial position of the Fund at 31 December 2024, 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 Qualified Opinion

My opinion on the financial statements 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 (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 Statement

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's summary 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 and its materiality depends on the 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.

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

1.5.2 Non-compliance with the Sri Lanka Public Sector Accounting Standards

Non-compliance with reference to the relevant standard	Management Comment	Recommendation
Although all items of income and expenses recognized during the period should be included in profit or loss in accordance with paragraph 99 of Sri Lanka Public Sector Accounting Standards 1, the Housing Lottery draw for the period July to November 2023 was conducted in the year under review and the Housing Lottery draw allowances of Rs.83,966, entertainment expenses of Rs.78,734 and office support allowances of Rs.4000, totaling Rs.166,700, were accounted for as expenses in	Officials were informed to make internal arrangements to prevent the recurrence of errors in accounting entries on an accrual basis.	Accounts should be kept correctly according to accounting concepts.

the year under review. Accordingly, the expenses in the year under review were overstated by that amount.

1.5.3 Accounting Deficiencies

Following observations are made.

	Audit Observation	Management Comment	Recommendation
(a)	The non-receipt of Samurdhi Housing Lottery contributions, which is the main source of income for the fund, had not been disclosed in the accounting policies.	It is stated that steps will be taken to amend these policies and correct them from 2025, by making notes regarding the non-receipt of housing lottery contributions in the accounting policies.	Major changes in the fund must be disclosed in the financial statements.
(b)	According to the Financial Performance Statement, an amount of Rs. 1,000,000 relating to the year 2023 had also been accounted for within the expenditure of Rs. 662,600,000 for special housing programs in the year under review. Accordingly, the expenditure and deficit for the year under review had been overstated by that amount.	Since the progress of the approved houses worth Rs. 1,100,000 has been reported to have reached a positive level in 2024, the money has been released accordingly. As a result, the expenditure and deficit in the year under review have been overstated.	Accounts should be done correctly according to accounting concepts.

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

Following Observations are made.

	Reference to Laws, Rules and Regulations etc.	Non-compliance	Management Comment	Recommendation
(a)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R. 371(2) and (5)	The balance amount of Rs.356,915 from the fuel advances of Rs.1,675,000 given to the district offices during the year under review, had not been settled.	Steps will be taken to settle the remaining balance of the relevant fuel advance payments from 2025 before the end of the year.	Financial Regulations should be followed.
(b)	Public Finance Circular No. 01/2020 dated 28 August 2020 and Finance	Although the financial statements of the Fund should be submitted to the Auditor General along with a	At the time of preparing the financial statements for the 2024 accounting year, it was not possible to	-Do-

Regulation 877 (2) (d) performance report within 2 months of the end of the accounting year, with a copy to the State Finance Department of the Treasury, the performance report had not been submitted along with the financial statements of the year under review. submit the performance report for that year as it had not been prepared. It is stated that the correct action will be taken from the year 2025.

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a deficit of Rs.324,154,748 and the corresponding surplus in the preceding year amounted to Rs. 163,400,569. Therefore a deterioration of amounting to Rs.487,555,317 of the financial result was observed . The non-receipt of Samurdhi Housing Development Lottery contributions had been mainly attributed to this deterioration.

3. Operational Review

3.1 Management Inefficiencies

Audit Observation	Management Comment	Recommendation
Although the Housing Lottery draw had been stopped due to the cessation of the Samurdhi subsidy at the beginning of 2024, the regulations of the fund had not been amended accordingly.	It is planned to revise the regulations after May 2025, after further discussions with the Housing Trust Board.	The regulations should be amended.

3.2 Performance

Audit Observation	Management Comment	Recommendation
(a) The main function of the Fund, which is built on the contribution amount collected from the Samurdhi subsidy, is to conduct a lottery draw among the beneficiary families and award lottery prizes for the construction of houses. However, due to the suspension of the Samurdhi subsidy, the monthly contribution of Rs. 100 from the Samurdhi subsidy was stopped after November 2023, as per Section 16 of the Fund's Regulations, the award of 335 prizes of Rs. 200,000 each	The implementation of this program has slowed down with the cessation of the beneficiary contributions to this fund. Accordingly, the institution has failed to plan the method of receiving money for the fund. The cash currently in the fund will be invested and only	Action must be taken to fulfill the main function of the fund.

for the construction of 335 houses per month, one house per Divisional Secretariat Division, for each month, had also stopped. Also, according to the Financial Performance Statement for the year under review, the Samurdhi Housing Development Lottery contribution income, which is the main revenue of the Fund, had been zero.

the interest earned will be accumulated in the fund.

- (b) A sum of Rs.662,600,000 was provided to 1355 beneficiaries during the year under review, under the Special Housing Program and only Rs.355,373,562 was received by the Fund from the investment interest during the year under review. Furthermore, a sum of Rs.143,902,149 had been withdrawn during the year under review from the investment amount of the Fund. Accordingly, with the loss of the main source of income of the fund and the cessation of the lottery draw program, a problematic situation had arisen regarding the existence of the fund in order to achieve its objectives.
- Although there were some problems with the existence of the fund, this program was implemented to some extent based on investment interest.
- Action should be taken by the Management to achieve the objectives of the fund.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Management Comment	Recommendation
Although the budget estimate certified by the Director General of the Samurdhi Department dated 05 February 2024 was prepared after the lottery draw was stopped, the budgeted amount of Rs. 8,620,000 was left over for 5 contracted services related to the draws, 02 expenditure items related to the acquisition of capital assets and one expenditure item related to development assistance. The objectives of preparing an annual budget document are to prepare estimates for expenditure in relation to the income received during the year and to use it as a financial control instrument. However, this had not resulted in financial control.	That the budget was prepared with the expectation that the lottery program would be implemented for contracted services in 2024, and that the money was not spent due to the inability to achieve the desired goals.	Efforts should be made to prepare budget estimates accurately.