

1990 Suwaseriya Foundation - 2018

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the 1990 Suwaseriya Foundation for the period from 4th July 2018 to 31st December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the period then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No.19 of 2018 and Finance Act No. 38 of 1971. My comments and observations which I consider should be report 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 Foundation as at 31 December 2018, and of its financial performance and its cash flows for the period then ended in accordance with the recommended accounting practices for non-profit organizations.

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 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 Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the recommended accounting practices for non-profit organizations, 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 ability to continue as a going concern of the Foundation, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Foundation 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 Foundation.

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 Company'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 Company'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 Company 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 Foundation and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Foundation has complied with applicable written law, or other general or special directions issued by the governing body of the Foundation ;
- Whether the Foundation has performed according to its powers, functions and duties;
- Whether the resources 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 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Debit balances amounting to Rs.3,361,803 in 32 advance accounts and credit balances amounting to Rs.236,005 in 17 advance accounts, instead of showing the balances separately, they had been offset by each other and shown in the financial statements.	That from next year, financial statements will be prepared showing the debit and credit balances separately.	This error should be corrected and financial statements for the next year should be prepared.
(b) The gratuity expenditure of Rs.3,324,855 for the period prior to 4 July 2018 had been accounted as an expense for the period under review.	No comments were made.	Expenditure should be accounted on an accrual basis.
(c) The Foundation had been established by the 1990 Suwaseriya Foundation Act No. 18 of 2018 with effect from 04 July 2018. The role of the foundation was implemented by GVK EMRI Lanka (Private) Ltd. before 4th July 2018. The accounts of GVK EMRI Lanka (Private) Ltd. had been audited by an external auditor till 31 March 2018 but the accounts of GVK EMRI Lanka (Private)	That no statutory audit has been conducted for the period from 1 April 2018 to 3 July 2018 but the opening balances have been confirmed by external auditors.	The accuracy of the opening balances at the 4 July 2018 should be verified.

Ltd. for a period of 03 months and 03 days from 31 March 2018 to 04 July 2018 which were established the Foundation, as it had not been audited, it could not be satisfied with the accuracy of the opening balances as on 4 July 2018 as stated in the financial statements of the Foundation.

1.5.2 Going Concern of the Foundation

Audit Observation	Comments of the Management	Recommendation
<p>According to the Memorandum of Understanding signed by the Ministry of Health with the institute of GVK EMRI Lanka (Private) Ltd. on 24 April 2018 and Section 26 (c) of the 1990 Suwaseriya Foundation Act No. 18 of 2018, the recurrent expenditure incurred for the operation of the Suwaseriya Foundation should be reimbursed by the Government but had not been reimbursed by the Government as on 31 December 2018. The total recurrent expenditure was Rs.102,355,487 which was spent by the Foundation from the funds received to the Foundation for capital expenditure. Also, the Cabinet had decided on 27 August 2019 to reduce the financial allocation provided by the Government to the Foundation for the year 2019 to 25 percent, 50 percent and 75 percent respectively in 2021, 2022 and 2023 and it was suggested that a proposal be made to maintain the foundation after the reduction of the financial provisions. However, no such proposal had been submitted by 31 January 2021, and it was observed that this situation could have a direct impact on the continued existence of the Foundation.</p>	<p>That all the relevant documents and rights as management have been submitted to the relevant Ministries that emphasized the difficulties of implementing an efficient operation without reimbursing the full cost. that plans were underway to charge \$ 2 per visit, but it did not operate due to changes in government and changes in ministries. That as the Foundation was again placed under a new Ministry in the year 2021, it is planned to discuss this matter with the new Minister and that request for funding for services provided to the public during and before the crisis of Covid 19</p>	<p>Appropriate mechanisms should be established to maintain the institution without hindrance in consultation with the responsible parties in this regard.</p>

1.6 Accounts Receivable

1.6.1 Advances

Audit Observation	Comments of the Management	Recommendation
The Foundation had paid US \$ 28,572 equivalent to Rs.4,583,511 for the purchase of 627 Thermal Blankets in 2018 and only 225 thermal blanket were supplied. Adequate action had not been taken to recover US \$ 18,319, equivalent to Rs.2,545,754 paid for the remaining 402 thermal blanket.	That it was trying to recover Rs.2,545,754 from an Indian supplier, but the process was temporary halted in March 2020 due to the spread of the Covid-19 epidemic in India.	Action should be taken to obtain or charge for 402 Thermal Blanket.

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

The following are instances of non-compliance with rules, regulations, regulations and management decisions.

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Stamp Duty (Special Provisions) Act No. 12 of 2006 and Extraordinary Gazette No. 1465/19 Announced	Although a stamp duty of Rs.25 should be levied on a receipt issued when a payment exceeds Rs.25,000, the Foundation had not taken action to recover stamp duty in accordance with the Act.	Stamp duty will be levied as due from June 2019.	Stamp duty should be levied in accordance with the provisions of the Stamp Duty Act.
(b) Financial Regulations 507 and 756 and Public Finance Circular No. 05/2016 dated 31 March 2016	No action had been taken to conduct the Annual board of Survey as on 31st December 2018 and submit the Goods Survey Report to the Auditor General before 15 June 2019.	Those steps will be taken in the future to comply with circulars and monetary regulations.	Should comply with financial regulations and circular instructions.

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a deficit of Rs.209,501,025. However, as the Foundation was a non-profit organization, the Foundation had covered the deficit by utilizing the funds provided by the Government of India to cover the capital expenditure.

3. Accountability and Good Governance

3.1 Presenting Financial Statements

Audit Observation	Comments of the Management	Recommendation
According to section 2 (2) of the 1990 Suwaseriya Foundation Act No. 18 of 2018 stated that the 1990 Suwaseriya Foundation must be a corporate body. Although the Annual Financial Statements as per, No. PED 12 Public Enterprises circular dated 02 June 2003 should be prepared and submitted to the Auditor General within 60 days after the end of the financial year, the financial statement of the Foundation for the year under review had submitted their financial statements on 06 May 2021 with a delay of more than 2 years.	In 2018, the foundation was under the Ministry of National Policies and Economic Affairs and the Ministry of Health, the 2018 financial statements were emailed to the Chief Financial Officer of the Ministry of National Policies and Economic Affairs and the 2018 and 2019 financial statements were submitted directly to the National Audit Office.	According to the provisions of the Public Enterprises Circular, financial statements should be submitted for audit on the due date.

3.2 Annual Action Plan

Audit Observation	Comments of the Management	Recommendation
Although an annual action plan should be prepared including the activities aimed at achieving the objectives mentioned in the relevant Act with a long term vision in accordance with paragraph 04 of the Ministry of Finance and Planning Circular No. PFD / RED / 01/04/2014/01 dated 17th February 2014 Had not been prepared.	No comments were made.	An annual action plan should be prepared in accordance with the circular provisions.

3.3 Internal Audit

Audit Observation	Comments of the Management	Recommendation
Pursuant to Financial Regulations 133 and Management Audit Circular No. DMA / 2009 (1) dated 09 June 2009, the Accounting Officer had not established an Internal Audit Unit in the Foundation to carry out its duties and responsibilities.	The audit team of the Foundation continues to audit the Foundation's operations and its activities, but assumed that there was no financial audit within their scope. That the Ministry's Internal Audit Division had conducted an audit of 2021 year since the payment vouchers for 2018 had been handed over to the relevant Ministry for replenishment. The approval of the Department of Management Services will be approved for the establishment of a new Internal Audit Unit as the funds will be received directly from the Treasury.	An internal audit unit should be formally established.

3.4 Audit Committee

Audit Observation	Comments of the Management	Recommendation
According to the Management Audit Circular No. DMA / 2009 (1) dated 09 June 2009 and the No. DMA / 2009 (1) (i) dated 28 January 2016 circular, 04 Audit and Management Committee meetings are required to be held annually and one per quarter, but Audit and Management Committee meetings had not been held by the Foundation in the year under review.	In 2018, all payment vouchers were handed over to the relevant Ministries, the Foundation's representative attended the meetings of the Audit and Management Committees held in the Ministries and the Audit and Management Committee was appointed in 2020 but could not hold meetings as planned due to the epidemic situation.	According to the circular provisions, four Audit and Management Committee meetings should be held annually and one per quarter.

3.5 Sustainable Development Goals

Audit Observation	Comments of the Management	Recommendation
Due to the Foundation's lack of awareness of the circular issued by the Secretary to the Ministry of National Policies and Economic Affairs No. NP / SP / SDG / 17 dated	That we are working towards achieving the Sustainable Development Goals and will discuss this matter with the Ministry in the future and take	Should act in accordance with the Circular issued by the Secretary to the Ministry of National Policies and Economic Affairs.

14 August 2017 and the United Nations “Agenda 2030 for Sustainable Development”, No steps to be more consistent with the indicators provided by the Ministry.

No actions had been taken to identify sustainable development goals, objectives, milestones to be achieved and the indicators to measure target achievement that fall within its scope.