

1990 Suwaseriya Foundation - 2020

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the 1990 Suwaseriya Foundation for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year 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, the accompanying financial statements give a true and fair view of the financial position of the Foundation as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the recommended accounting practices for non-profit organizations.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those audit standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this 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 the sri lanka statement of recommended 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 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 on economic decisions taken by users 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:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 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 Going Concern of the Foundation

Audit Observation

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 Rs.337,179,826 and Rs. 68,044,458 relevant to the year under review was not reimbursed by the Government as at 01 January 2020. Accordingly, the total recurrent expenditure which was not reimbursed by the Government as at 31 December 2020 was Rs.405,224,284 ,and that expenditure was spent from the funds received for capital expenditure. Similarly, 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 30 November 2021 and it was observed that this situation could have a direct impact on the continued existence of the foundation.

Comments of the Management

That all the relevant documents and rights have been submitted to the relevant Ministries as the management, 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 was not implemented due to changes in government and changes of ministries, and this situation has been informed to the state ministry also in the year 2021.

Recommendation

Appropriate mechanisms should be established to maintain the institution without hindrance in consultation with the responsible parties in this regard.

1.6 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) Section 3 of the Shop and Office Employees (Regulation of Employment and Remuneration) Act, No. 19 of 1954 amended by Act No. 60 of 1957.	Even though duration of time from the time which an employee starts work on any given day to the time when he stops working on the same day should not exceed twelve hours, security officers were employed for more than 12 hours in obtaining security services for the Head Office of the Foundation during the year under review. A sample test revealed that a same employee had been employed continuously for 03 weeks in July 2020 and 04 weeks in November exceeding 12 hours. However, no action could be taken in this regard as the Defense Services Agreement had not been prepared in accordance with the provisions of the Act.	That the security service was outsourced to a third party security company, which has already been notified to take the necessary action in accordance with the agreement.	Conditions should be included in the Security Services Agreement that the provisions of the Act must be followed to ensure compliance with the relevant conditions.
(b) Stamp Duty (Special Provisions) Act No. 12 of 2006 and Extraordinary Gazette Notification No. 1465/19	Even though a stamp duty of Rs.25 should be charged in case of any cash receipts or payments over Rs. 25,000, no stamp duty was charged on payments other than employee salaries.	That necessary action will be taken to recover stamp duty as required.	Stamp duty should be levied in accordance with the provisions of the Stamp Duty Act.
(c) Section 9.1 of Chapter XIV of the Establishments Code	According to the provisions of the Establishments Code, even though an officer can be paid with a Mileage of Rs. 2.00 per kilometer, the Board of Directors had approved the use of personal motorcycles belong to the supervising officers, who stationed at the district level to	That the officers in charge have been deployed at the district level to closely monitor the field activities to maintain the quality of services as there are no regional offices island wide. That a fuel	Action should be taken in accordance with the provisions of the Establishments Code.

supervise the ambulance service, allowance is not paid for field inspections and to pay for their personal Rs. 18 per kilometer by the vehicles used for field Foundation contrary to those inspections. As it is not provisions and without the formal practical to pay an approval of the Director of the allowance of Rs. 2 per Institution. Accordingly, a total of kilometer, Rs. 18 will Rs. 6,122,232 had been paid to be paid per kilometer the supervising officers at 239 with the approval of the occasions during the year 2020 at governing a rate of Rs.18 per kilo meter, and body. the overpayment was Rs .5, 441,984.

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| (d) | Paragraph 4.2.6 of the Public Enterprise Circular No. PED 12 dated 02 June 2003 | Even though the performance reports should be prepared quarterly and sent to the relevant Ministry and the Department of Public Enterprises of Treasury , 30 days prior to the end of each quarter ,the Foundation had not done so. | That action will be taken in accordance with the Circular in year 2022. | Circular provisions should be followed. |
| (e) | Paragraph 4.2 of the Government Procurement Guide | Even though an entity had to prepare a master procurement plan and list the expected procurement activities for at least 03 years in the master procurement plan, a procurement plan had not been prepared by the foundation. | That action will be taken accordingly in year 2022. | Action should be taken in accordance with the Government Procurement Guideline. |

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a surplus of Rs. 3,443,011 and the corresponding deficit in the preceding year amounted to Rs. 392,433,414. Therefore an improvement amounting to Rs. 395,876,425 of the financial result was observed. The reasons for the improvement are the Foreign Exchange Profit of the Foundation. However, the surplus was transferred to the donation account received from the Government of India established for bearing the capital expenditure of the Foundation as the Foundation was a non-profit organization.

3. Operational Review

3.1 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Despite the medicines can be procured by the Medical Supplies Division as the Foundation is an institution operating under the Ministry of Health, medicines and medical consumables were purchased from other external parties for use in 297 ambulances at a price higher than that had been purchased by the Medical Supplies Division, during the year under review and the total amount spent was Rs. 8,721,138.	Procurement procedures could not be followed for purchasing pharmaceuticals from the Medical Supplies Division as it is not a pharmaceutical and consumer goods retailer. Requests were made to the Medical Supplies Division for monthly requirements in the year 2020 and accordingly that a certain amount was received free of charge. The quantity received was not sufficient to meet the requirements and had to be procured from external suppliers. There, priority was given to purchase from the State Pharmaceutical Corporation.	A formal system should be prepared in consultation with the Ministry.
(b) Even though the Hepatitis B Vaccine, which should be completed by ambulance staff in 03 doses, can be obtained free of charge from the office of the medical officer of health, Rs. 1,022,414 was paid to a private hospital for hepatitis B vaccination of the staff during the year under review.	Even though attempts were made to obtain this vaccine from government hospitals after completing the Ambulance Driver Training Course, only a few hospitals supported in this regard, and the staff who worked in those areas was vaccinated by the hospitals. We had to contact private hospitals because the vaccination was mandatory for our staff in districts that did not receive a positive response.	-do-

3.2 Human Resource Management

Audit Observation	Comments of the Management	Recommendation
The approved cadre was 1,992 of the Foundation as at 31 December 2020 but the actual cadre on that day was 1,388, shortage of cadre was 604 and 316 of them were ambulance drivers.	Cadre recruited before August 2019 left the foundation due to lack of adequate salaries, a recruitment programme was initiated after the salary increase and interviews were scheduled to take place in August 2019 but were postponed due to the announcement of the presidential election in November 2019. Recruitment in accordance with government regulations as the Ministry has informed to stop the recruitment until further notice	Action should be taken to recruit essential cadre in a proper manner and if there are non-essential posts, they should be suppressed and the cadre should be amended.

and the recruitment was allowed to start in February 2021.

4. Accountability and Good Governance

4.1 Presenting Financial Statements

Audit Observation	Comments of the Management	Recommendation
<p>According to section 2 (2) of the 1990 Suwaseriya Foundation Act No. 18 of 2018 and No. PED 12 and dated 02 June 2003 public enterprises circular, the annual financial statements should be prepared and submitted to the Auditor General within 60 days after the end of the financial year, but the Foundation had submitted the financial statements for the year under review on 27 July 2021 with a delay of 05 months.</p>	<p>The Foundation has prepared the 2018 and 2019 Financial Statements on cash basis on the advice of the Ministry of National Policies and Economic Affairs. Subsequently, submission of financial statements for the year 2020 was delayed due to having to prepare those financial statements again on accrual basis on the instructions of the National Audit Office. The financial statements for the year 2021 will be submitted as scheduled.</p>	<p>In accordance with the provisions of the Public Enterprise Circular, financial statements should be submitted for audit on the due date.</p>

4.2 Annual Action Plan

Audit Observation	Comments of the Management	Recommendation
<p>Even though an annual action plan should be prepared for achieving the objectives mentioned in the relevant Act with a long term vision in terms of paragraph 04 of the State Ministry of Finance and Planning Circular No. PFD / RED / 01/04/2014/01 dated 17 February 2014, the Foundation had not done so.</p>	<p>Action will be taken in accordance with the Circular 2022.</p>	<p>An annual action plan should be prepared in accordance with the circular provisions.</p>

4.3 Internal Audit

Audit Observation	Comments of the Management	Recommendation
<p>In terms of the Financial Regulation 133 of the Financial Regulations Code of the Democratic Socialist Republic of Sri Lanka and Management Audit Circular No. DMA / 1-2019 dated 12 January 2019, an Internal Audit Unit</p>	<p>Many of the staffing requirements had been rejected by the Department of Management Services in approving the initial staff. A request for approval of the cadre had been sent back to the Secretary of the State Ministry and the</p>	<p>An internal audit unit should be formally established.</p>

had not been established for the Internal Audit Unit would be Foundation and an internal audit had established after receiving approval for not been carried out. the cadre from the Department of Management Services.

4.4 Audit and management Committee

Audit Observation	Comments of the Management	Recommendation
<p>According to the Management Audit Circular No. DMA/1-2019 dated 12 January 2019, Four Audit and Management Committee meetings are required to be held annually per quarter, but Audit and Management Committee meetings had not been held by the Foundation in the year under review.</p>	<p>Even though an Audit and Management Committee had been appointed by the Board, meetings could not be held as planned due to the epidemic situation prevailed in year 2020.</p>	<p>According to the circular provisions, 04 Audit and Management Committee meetings should be held annually, 01 per quarter.</p>

4.5 Budgetary Control

Audit Observation	Comments of the Management	Recommendation
<p>Although a copy of the Annual Budget approved by the Board of Directors should be submitted to the Auditor General within 15 days before the commencement of the financial year, A budget had not been prepared in accordance with Guideline 5.2.5 of the Public Enterprise Circular Guidelines No. PED 12 of 02 June 2003.</p>	<p>Agree with the observation and steps will be taken to report to the Auditor General as per circular in year 2022.</p>	<p>Circular provisions should be followed.</p>

4.6 Sustainable Development Goals

Audit Observation

Activities falling under its purview due to the Foundation not being aware of the Circular issued by the Secretary to the Ministry of National Policies and Economic Affairs No. NP / SP / SDG / 17 dated 14 August 2017 and the United Nations Agenda 2030 for Sustainable Development in relation to the Sustainable Development Goals, the targets and the milestones to be reached and the indicators to measure the achievement of the targets had not been identified.

Comments of the Management

We are working towards achieving the Sustainable Development Goals and the Foundation was not fully aligned with the indicators provided by the line Ministry in year 2020 and that sustainable development goals that need to be consistent with has been identified.

Recommendation

Act in accordance with the Circular issued by the Secretary to the Ministry of National Policies and Economic Affairs.