

1990 Suwaseriya Foundation - 2019

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the 1990 Suwaseriya Foundation for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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 2019, 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 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 Going Concern of the Organization

Audit Observation	Comments of the Management	Recommendation
<p>According to the Memorandum of Understanding signed between the Ministry of Health and GVK EMRI Lanka (Private) Ltd on 24 April 2018 and Section 26 (c) of the Suwaseriya Foundation Act No. 18 of 2018 although the recurrent expenditure incurred for the operation of the Suwaseriya Foundation is required to be reimbursed by the Government, it has not been reimbursed by 31 December 2019 and the total recurrent expenditure was Rs.337,179,826 which was spent from the funds received 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 in 2021, 2022 and 2023 respectively and It was requested to submit a proposal to maintain the foundation after reducing the financial provisions. But no such proposal had been submitted by January 31, 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>An appropriate mechanism should be established to maintain the institution without any hindrance in consultation with the responsible parties in this regard.</p>

1.6 Accounts Receivable

1.6.1 Advances

Audit Observation	Comments of the Managements	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 Notification No. 1465/19	Although a stamp duty of Rs.25 should be charged on a receipt issued when a payment exceeds Rs.25,000, the Foundation had not taken action to recover stamp duty as per the Act and the stamp duty base of Rs.305,062 which had to be collected from the salary had been spent.	That the 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 31st March 2016.	No action had been taken to conduct the Annual verification of goods as on 31 December 2019 and submit the verification report to the Auditor General before 15 June 2020.	That steps will be taken in the future to comply with circulars and financial regulations.	Should comply with Financial Regulations and circular provisions.

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a deficit of Rs.392,433,414 and the corresponding deficit in the preceding year amounted to Rs.209,501,025. Therefore an deterioration amounting to Rs.182,932,389 of the financial result was observed. This decline was mainly due to the increase in direct expenditure of the foundation and the decrease in revenue from other activities. However, as the Foundation was a non-profit organization, the shortfall was offset by the Government of India's grant-in-aid to cover the Foundation's capital expenditure.

3. Operating Review

3.1 Human Resource Management

Audit Observation	Comments of the Management	Recommendation
The approved cadre was 1,992 of the Foundation as at 31 December 2019 but the actual cadre on that day was 1,423, shortage of cadre was 569 and 313 of them were ambulance drivers.	Cadre recruited before August 2019 left the foundation due to lack of adequate salaries, a recruitment process 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 and the recruitment was allowed to start in February 2021.	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.

4. Accountability and Good Governance

4.1 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 and No. PED 12 and dated 06 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 06 May 2021 with a delay of more than one year.	In 2019, the Foundation was under the Ministry of National Policies and Economic Affairs and the Ministry of Health, the financial statements for the year 2019 had not been given to the Ministry of Health and the National Audit Office submitted the 2018 and 2019 financial statements directly to them after joining in 2020.	In accordance with the provisions of the Public Enterprises Circular, financial statements must be submitted for audit on the due date.

4.2 Annual Action Plan

Audit Observation

Comments of the Management

Recommendation

Although an action plan should be prepared including an action plan with activities aimed at achieving the objectives mentioned in the relevant Act with a long term vision in terms of paragraph 04 of the Ministry of Finance and Planning Circular No. PFD / RED / 01/04/2014/01 dated 17 February 2014 and action plan had not been prepared.

No comments were made.

An annual action plan should be prepared in accordance with the circular provisions.

4.3 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 operations of the Foundation and its activities but assumes that there is no financial audit within their jurisdiction and that the Internal Audit Division of the Ministry has conducted an audit as the payment vouchers for the year 2018 have been handed over to the relevant Ministry for replenishment. The approval of the Department of Management Services will be sought for the establishment of a new Internal Audit Unit as the funds will be received directly at the year 2021 from the Treasury.

An internal audit unit should be formally established.

4.4 Audit Committee Meeting

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, 04 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.

That all the payment vouchers had been handed over to the relevant Ministries in the year 2019. The Foundation representative had attended for the Audit and Management Committee meetings held in the Ministry and the Audit and Management Committee had been appointed in the year 2020 but the meetings could not be held as planned due to the epidemic situation.

According to the circular provisions, 04 Audit and Management Committee meetings should be held annually, 01 per quarter.

4.5 Budgetary Control

Audit Observation	Comments of the Management	Recommendation
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	Agree with the observation and submit the annual budget to the Auditor General in the future as per the circular.	Circular provisions should be followed.

4.6 Sustainable Development Goals

Audit Observation	Comments of the Management	Recommendation
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.	We are working towards achieving the Sustainable Development Goals and will discuss this matter with the Ministry in the future and take steps to be more consistent with the indicators provided by the Ministry.	Act in accordance with the Circular issued by the Secretary to the Ministry of National Policies and Economic Affairs.