

1990 Suwa Seriya Foundation - 2021

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the 1990 Suwa Seriya Foundation for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 presented in 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 2021, and its financial performance and cash flows for the year then ended in accordance with the Sri Lanka statement of recommended practice for not-for-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 practice for not-for-profit organizations, and for such internal control as management determines 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 Foundation'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 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 Sub-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 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 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:

- 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 Foundation'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 Foundation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit 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 audit report. However, future events or conditions may cause the Foundation 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; and
- Whether the resources of the Foundation 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	Comments of the Management	Recommendation
<p>According to the Memorandum of Understanding signed with the Ministry of Health and GVK EMRI Lanka (Private) Ltd. on 24 April 2018 and Section 26 (c) of the 1990 Suwa Seriya Foundation Act, No.18 of 2018, the recurrent expenditure incurred for the operation of the Suwa Seriya Foundation should be reimbursed by the Government. However, the total recurrent expenditure which was not reimbursed by the Government as at 31 December 2021 was Rs.330,091,526 and that expenditure was incurred from the funds received for capital expenditure. Similarly, the Cabinet had decided on 27</p>	<p>That all the relevant documents and rights have been submitted to the relevant Ministries, the difficulties of implementing an efficient operation without reimbursing the full cost continuously were emphasized, that plans were underway to charge \$ 2 per visit as per Cabinet Paper prepared on 27 August 2019, but it was not implemented due to changes in Government and changes of ministries, and that requests have been made by changing the Cabinet Decision considering the service rendered to the public during the Covid 19 crisis and before.</p>	<p>An appropriate mechanism should be established to maintain the Suwa Seriya Foundation without hindrance in consultation with the responsible parties in this regard.</p>

August 2019 to reduce the financial allocation provided by the Government to the Foundation for the year 2019 to 25 per cent, 50 per cent and 75 per cent respectively in the years 2021, 2022 and 2023 and it had been suggested that a proposal be made to maintain the Foundation after the reduction of the financial provisions. However, no such proposal had been submitted even by 26 May 2022 and it was observed that this situation could have a direct impact on the going concern of the Foundation.

1.6 Lack of Documentary Evidence for Audit

Item	Amount	Audit Evidence not available	Comments of the Management	Recommendation
	Rs.			
Ambulance service fees and payments made to various parties	159,640,275	Originals of bills	Originals of bills relating to food provided to outstation employees during the curfew imposed as a result of Covid 19 pandemic could not be obtained, this situation has arisen as service of ambulances are carried out in service centres island wide and action has been taken presently to remedy the said matter.	Originals of bills should be obtained for all payments.

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

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Section 5 of Stamp Duty (Special Provisions) Act, No. 12 of 2006 and Gazette Extraordinary Notification No. 1530/13 of 01 January 2008	Even though a stamp duty of Rs.25 should be charged in case of any cash receipts or payments over Rs. 25,000, the Foundation had not charged stamp duty for payments of Rs.550,539,511 in 707 instances during the year under review.	Necessary arrangements have been presently made to deduct stamp duty for all payments over Rs. 25,000.	Stamp duty should be charged in terms of provisions of the Act.
(b) Financial Regulation 139(5) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	In the payment of vouchers, the identity of the payee should be established. However, in the payment of 07 vouchers of Rs.6,464,100, the signature of the payee on the face of the voucher to acknowledge receipt of money or a receipt to confirm so, had not been obtained.	Action will be taken in terms of Financial Regulations, the receiver had not signed several payment vouchers during the period of the Covid pandemic and as there were travel restrictions during the said period, public visits were limited.	Action should be taken in terms of Financial Regulations.
(c) Section 9.1 of Chapter XIV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka	According to the provisions of the Establishments Code, even though an officer can be paid with a Mileage of Rs. 2.00 per kilometre, the Board of Directors had approved the use of personal motorcycles belonging to the supervising officers, who were stationed at the district level to supervise the ambulance service, for field inspections and to pay Rs. 18 per kilometre an Rs.23 per kilometre	Officers in charge of Districts use their own vehicles in field inspections, they are not paid a fuel allowance for such inspections according to provisions of the Establishments Code, it is not practical to pay a travelling allowance of Rs.2 per kilometre, investments have to be made for motor cycles for Officers in charge of Districts, moreover	Action should be taken in accordance with the provisions of the Establishments Code and such allowances should not be paid without formal approval of the Director General of Administration.

from July 2021 by the Foundation contrary to those provisions and without the formal approval of the Director General of Administration. Accordingly, a sum of Rs.3,897,216 had been paid at Rs.18 per kilometre in 131 instances in the year 2021 and a sum of Rs.2,466,674 had been paid at Rs.23 per kilometre in 63 instances from July 2021.

		expenses such as fuel, insurance, tyres, batteries, maintenance have to be incurred and the Board of Directors have approved a payment of Rs.23 per kilometre as travelling allowances considering cost saving.	
(d)	Paragraph 4.2.6 of the Public Enterprises 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 the Treasury, 30 days prior to the end of each quarter, the Foundation had not done so.	Action will be taken in accordance with the Circular. Circular provisions should be followed.
(e)	Guideline 4.2 of the Government Procurement Guidelines	Even though a Master Procurement Plan should be prepared and listed the expected procurement activities for at least 03 years therein, a Procurement Plan had not been prepared by the Foundation.	A Procurement Plan was not prepared as procurement requirements were limited in the years 2020 and 2021 and as provision made for operations in the year 2022 was inadequate and moreover, only urgent purchases are made according to standard procurement procedures. A Procurement Plan should be prepared in terms of the Government Procurement Guidelines.

2. Financial Review

2.1 Financial Results

The operating result of the year under review had been a deficit of Rs. 51,365,905 as against the surplus of Rs.3,443,011 in the preceding year, thus observing a deterioration of Rs.54,808,916 in the financial result. The increase in the expenditure on repairs and maintenance, fuel expenses, travelling and other allowances, expenditure on supplies for Ambulances, expenditure on employees' welfare and office consumable goods, and local travelling expenditure of the Foundation, had mainly attributed to the said deterioration.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation

Twenty five Ambulances purchased under the finance lease method by the Department of National Budget, had been registered on 30 December 2021 in the name of the Suwa Seriya Foundation and handed over to the Foundation symbolically. However, the said purchases had been made without looking into technical specifications or any other requirements whatsoever be available with Ambulances and as the cost of Rs.49,250,000 estimated for improving Ambulances so as to suit the services supplied, had not been provided by the Treasury, the said 25 Ambulances had been retained under the custody of supplier without making any relevant improvements even by 26 May 2022. As such, it was observed that there is a risk of expiry of the guarantee period of Ambulances even before utilizing them and even though those are exempt from import duty according to the certificate of registration of Ambulances, being the sale price of an Ambulance of Rs.15,950,00 is an unusual situation.

Comments of the Management

It was informed that those Ambulances were provided without any request of the Foundation, Ambulances should be improved so as to suit the pre-hospital care services and that addition provision will be provided for improving them up to the standard. However, the Treasury and the Ministry have been informed through letters that despite having made requests for provision required therefor at several occasions, the said provision had not been made so far and these Ambulances could not be operated without improving so as to suit the pre-hospital care services.

Recommendation

Further action should be taken with immediate effect by holding discussions with the Ministry.

3.2 Human Resource Management

Audit Observation

Comments of the Management

Recommendation

- (a) The approved cadre for the post of Emergency Medical Dispatcher of the Foundation stood at 80 and the initial basic salary for the said post was Rs.35,000. The actual cadre as at 31 December 2021 stood at 38 and action had not been taken even in the year under review for making recruitments for vacancies. Instead of that, 50 officers of a private company had been deployed in the service without an approval of the Department of Management Services on the basis of payment of Rs.48,500 each per month with effect from 24 September 2021 and a sum of Rs.10,094,752 had been paid to them for a period of 03 months up to 31 December 2021.
- This decision has been taken due to the staff obtained from outside been recruited with the approval of the Procurement Committee and the Board of Directors, number of telephone calls received per day had doubled due to operations on Covid 19, the staff being affected by the virus and quarantine of associates, and this decision has been taken due to the basic salary of the Emergency Medical Dispatcher being Rs.35,000 and their average gross salary being Rs.55,000 as they engage in the service for a period of 12 hours, and as the sum paid to the company from which officers were obtained, is less than the gross salary of Emergency Medical Dispatchers.
- Formal approval should be obtained for these recruitments.
- (b) An officer for the post of Head of Finance which is a post of the top management, had been recruited on contract basis on 02 September 2021. Action had not been taken even by 26 May 2022 to recruit a permanent officer for this post, which was vacant for over a period of one year. Moreover, recruitments had been made by changing the approved designation of the Head of Finance and two other posts with a view to encouraging recruitments. However, the approval of the Department of Management Services had not been obtained therefor.
- That even though interviews were held, a consultant had been recruited for a period of one year with the approval of the Board of Directors due to lack of a qualified officer and that even though these designations were changed with a view to increasing recruitments for the labour market changed rapidly, those are the posts which are placed on approved Grades and salaries.
- Formal approval should be obtained for these recruitments.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation

Even though an Annual Action Plan should be prepared for achieving the objectives specified in the relevant Act with a long term vision in terms of paragraph 04 of Circular No. PFD/RED/01/04/2014/01 dated 17 February 2014 of the State Ministry of Finance and Planning, the Foundation had not prepared an Action Plan accordingly.

Comments of the Management

The Foundation had taken action accordingly due to Covid pandemic prevailed during the year 2021 and the Action Plan for the year 2022 has been presented to Audit.

Recommendation

An Annual Action Plan should be prepared in accordance with circular provisions.

4.2 Internal Audit

Audit Observation

In terms of the Financial Regulation 133 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka and Management Audit Circular No. DMA/1-2019 dated 12 January 2019, an Internal Audit Unit had not been established for the Foundation and an internal audit as well had not been carried out.

Comments of the Management

This request has been rejected by the National Salaries and Cadre Commission and even though the Department of Management Services had been informed regarding this request through the Ministry, no response had been made thereon so far.

Recommendation

Action should be taken to carry out an internal audit.

4.3 Sustainable Development Goals

Audit Observation

In terms of the Circular No. NP / SP / SDG / 17 dated 14 August 2017 issued by the Secretary to the Ministry of National Policies and Economic Affairs, the Suwa Seriya Foundation had not been aware of “2030 Agenda” of the United Nations on sustainable development goals. As such, action had not been taken to identify sustainable development goals, targets relating to the functions that come under its scope and focal points to reach those targets and indicators for measuring the achievement of targets.

Comments of the Management

That the main objective of the Foundation was to assist the Government in controlling the Covid pandemic prevailed during the year 2021, and those indicators have been identified at present and that action will be taken to achieve those targets.

Recommendation

Action should be taken in terms of circular provisions.