

## 1990 Suwa Seriya Foundation - 2024

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### **1. Financial Statements**

#### **1.1 Opinion**

The audit of the financial statements of the 1990 Suwa Seriya Foundation for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and statement of comprehensive income, statement of changes in cumulative fund and cash flow statement for the year then ended, and notes to the financial statements, 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 and Finance Act No.38 of 1971. My comments and observations which I consider should be reported 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 2024, and its financial performance and cash flows for the year then ended in accordance with the accounting practices recommended 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 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 accounting practices recommended by the Institute of Chartered Accountants of Sri Lanka for non-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 Suwa Seriya 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 intends to liquidate the Suwa Seriya Foundation or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16(1) of the National Audit Act, No. 19 of 2018, the Suwa Seriya Foundation is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements of the Foundation to be prepared.

#### 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:

- Appropriate audit procedures were designed and performed identify and assess the risks 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.
- 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.

I communicate with those charged with governance among other matters significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

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

Reference to Laws, Rules, Regulations.	Non-compliance	Comments of the Management	Recommendation
(a) 1990 Suwa Seriya Foundation Act No.18 of 2018			
(i) Sub-section 7(a) (II) of the Act	Although the Secretary to the Ministry of the Minister to whom the subject of health has been assigned or his representative should be appointed as a member of the Board, the proceedings had not been done accordingly since September 2024.	This issue was informed by sending a letter to the Secretary, Ministry of Health and it is expected that a constructive answer for this issue will be given by the Ministry of Health as soon as possible.	The proceedings should be done as per the provisions of the Act.
(ii) Sub-sections 18(5) and 25(1) of the Act	The rules regarding the payment of moneys out of the Fund should be set by the Board, and the rules can also be set on the matters mentioned in sub-section 25(1). Although every rule made so by the Foundation should be approved by the Minister and published in the Gazette, the proceedings had not been made accordingly.	It is expected to get legal advice on the rules that can be set as per the Section 25 (1) of the Act and to move with further proceedings in accordance with the said legal advices.	The proceedings should be done as per the provisions of the Act.
(b) The Memorandum of Understanding signed between the Ministry of Health and GVK EMRI Lanka (Private) Ltd on 24 April 2018 and the Sub-section 26 (c) of the 1990 Suwa Seriya Foundation Act No. 18 of 2018.	The balance due for the Foundation as at 31 December 2024 was Rs.441, 074,908, and a sum of Rs.352, 591,526 out of the said amount was the recurrent expenditure to be reimbursed by the Government. The balance amounting to	The requests have been submitted to the Treasury by the Ministry of Health during the past several years to obtain this amount, and all the required files and documents have been submitted to the Treasury.	A specific decision should be taken on this amount in consultation with the Treasury and the necessary adjustments should be made in the financial

Rs.330, 091,526 existing from the year 2019 included in the said balance had not been reimbursed by the Treasury in the year under review and no balance confirmation was submitted for the audit.

However, the Treasury has not made any response to this, and has verbally informed only at one occasion to come for a discussion and the said discussion was also cancelled later. Further, it is expected to take further actions in this connection as soon as a response is received from the Treasury.

statements accordingly.

(c) National Audit Act No.19 of 2018

- (i) Paragraph (c) of the Sub-section 38 (1)
- The Accounting Officer should ensure to develop and maintain an effective internal control system for financial control and to carry out a periodical review about the effectiveness of that system and the necessary changes should be made accordingly in order to ensure the effective operation of the system. However, the proceedings had not been made accordingly.
- All accounting activities, all operational activities and warehouse-related tasks are carried out using a computerized system. As most of the activities of the Foundation are performed through such formal systems and the necessary changes are internally considered by the higher management by reviewing the function of those systems from time to time.
- The proceedings should be done as per the provisions of the Act.
- (ii) Subsection 38 (2)
- In terms of paragraph (c) of subsection 38(1) of the Act, even though the review should be carried out in writing and a copy of that should be
- The management decisions prevailed internally had not been presented to Auditor General and if there will be such
- The action should be taken as per the provisions of the Act.

submitted to Auditor General, no action had been taken accordingly. written decisions taken in the future, the facts on such decisions will be submitted to the audit.

- (d) Paragraph 3.6 of Guidelines on Corporate Governance for Public Enterprises submitted with the Public Enterprises Circular No.01/2021 issued by Department of Public Enterprises dated 16 November 2021 about the performance of public enterprises
- The key performance indices should be implemented between the employee and the management having introduced an effective performance evaluation system based on strategic plan and action plans. Even though the productivity should be valued by the immediate officer, no effective performance evaluation had been carried out by each employee. Similarly, though the salary structure in relation to the staff of Suwa Seriya Foundation had been approved with effect from 01 August 2019, it had not been indicated annual salary increment structure.
- Agreed.it is expected to further continue the ongoing process in the future and carry out employee performance evaluation by using the written documents also. It is expected to perform the future measures required for preparation of an annual salary increment structure as pointed out by the audit on the instructions of the Board of Directors.
- An appropriate salary increment structure should be approved having performed an effective performance evaluation for the officers.
- (e) Guidelines on Corporate Governance and Manual for the public enterprises issued by the Department of Public Enterprises on 16 November 2021
- (i) Paragraph 2.3 of Chapter 2
- Even though a strategic plan should be prepared including an annual budget with the action plan for fulfilment of the objectives of Foundation should be submitted to the Department of
- As per paragraph 2.3 of the Guidelines, the measures will be taken to prepare amended action plan again after carrying out the all changes required in due
- The action should be taken as per the provisions of the circulars.

Public Enterprises course. through the Secretary of line ministry, no action had been taken accordingly. Though an action plan not approved had been prepared and submitted to the audit, such plan had not been prepared as per the Guidelines.

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| (ii) | Paragraph 3 of Chapter 5   | A statement of budgeted income, report on budgeted financial position, statement of budgeted cash flows and a capital expense budget should be included in the preparation of the annual national budget; the budget document had not been prepared as per the Guidelines.  | The steps had been taken to prepare the statements which indicate the budgetary financial positions and statements of budgeted income as per the provisions of the Guidelines in preparation of the annual budget. Such all reports will be accurately presented in an accurate manner in preparation of budget 2025. | The action should be taken as per the provisions of the circulars.     |
| (f)  | Financial Regulation 880 of Democratic Socialist Republic of Sri Lanka | Even though officers who are administratively responsible for, or who under delegation are entrusted with the report or custody of public money, revenue stamps or stores or the disbursement of public money or issue of stamps or stores and those who certify vouchers or sign cheque on Government Account will be required to give security in accordance with the Public Officers | It is agreed with the matter pointed out and the action will be taken to keep relevant securities in the future.  | The measures should be taken in accordance with Financial Regulations. |

(Security) Ordinance (Cap.612) for a faithful discharge of the duties, no action had been taken accordingly in relation to the officers in Foundation who should keep the securities.

## 2. Financial Review

### 2.1 Financial Result

The financial result in the year under review was a net surplus of Rs. 53,278,735 and correspondingly, the surplus was Rs. 269,930,094 in the preceding year. Accordingly, a deterioration of Rs.216, 651,359 was observed in the financial result. Even though the operating revenue had developed, the increase of operating expenses in more percentage comparatively had mainly caused for this deterioration.

## 3. Operational Review

### 3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) A part of first, second ,third and fifth floor of the building in which its Head Office is maintained on rent basis by Foundation is utilized for the activities of the Foundation and it had been decided at the meeting of Board of Directors held on 29 March 2024 to obtain a valuation report for the amount paid. Accordingly, it had been agreed a more value higher than the assessed value obtained as per the agreement implemented and a tax expense of Rs.05 million had been incurred by Suwa Seriya Foundation by exceeding the assessed value taking into consideration a contracted period of 12 months. The owner of the building had not given consent to the assessed value of the	The matters had been pointed to the meeting of Board of Directors held on 28 March and 2025 and it had been decided to refer to Secretary of Ministry of Health in order to obtain the approval related to rent of this building on the decision given on that and the future steps will be taken on the instructions given by the Secretary of Ministry of Health.	The step should be taken as per Financial Regulation 835(2).

government and another assessed report exceeded the contracted rent amount had been presented by the owner. However, it was observed in the audit that its Head Office is maintained by Foundation without an agreement entered into between parties at the date of report and consent on rent of building. In accordance with Financial Regulations 835(2) of Democratic Socialist Republic of Sri Lanka and the Head of the organization should inquire the Chief Valuer in rent out a building and if the head can't accept the decision of the Chief Valuer, said matter should be referred to the Secretary of Ministry which is under custody of the institute rent out such building, no action had been taken accordingly by Foundation.

- (b) The tires used had been brought back and stored subsequent to fixing new tires for the ambulances and it was observed that some tires had excessively worn and some tires were very unsafe by showing wires. Therefore, this is not a suitable condition in providing pre-hospital care in a safe clinical environment. Furthermore, it couldn't be excluded that whether these tires had been actually removed from the ambulances in the calculation. Similarly, 2299 new tires had been issued for the ambulances in 2023 and 2024 and only 1068 used tires within said period of time had been handed over to Foundation due to non-
- The Foundation takes efforts to join an ambulance for the operating activities at the maximum opportunity and the tires are properly provided to the relevant institute as per such approval and the agreement at that occasion. Accordingly, the all reports related to that matter are properly maintained.
- The internal control should be strengthened for fixing new tires for ambulances, disposal of tires utilized and storage.

availability of an internal control system in relation to the tires removed from usage. Subsequent to 2022, the Foundation had not taken measures to earn revenue through the disposal of these tires and though those had been given to a private company for the destruction, no formal reports had been maintained pertaining to that matter.

### 3.2 Operating Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Even though the powers had been empowered to the Foundation for obtaining the gifts or donations in terms of Section 4(c) of Suwa Seriya Foundation Act, No.18 of 2018, as per the letter No. FP/01/01/05/09-2022 dated 30 March 2022 of the Secretary to the Treasury addressed to the Chairman of the Foundation, the donations provided to the Foundation should be firstly remitted to the Department of Treasury Operations in order to transfer to the official account of the Deputy Secretary to the Treasury in accordance with the Guideline No.SA/MAA/GRG/01 dated 08 July 2022 issued by the Director General of the Department of State Accounts on the way of accounting the gifts /grants received to the Foundation. Although the prescribed imprests should have been requested from the Department of Treasury	The cheque amounting to Rs. 22,042,231 was not written in the name of the General Treasury but in the name of the 1990 Suwa Seriya Foundation, i.e., Certain donors had not trusted the prevailed situation in the country and the financial sector of the then government, as a result of that, they had refused to directly remit the money to the General Treasury. Therefore, those had been directly obtained to the Foundation and deposited in the bank and properly accounted.	Action should be taken in accordance with the instructions of the Department of State Accounts.

Operations after the necessary provisions were made by the Department of National Budget, the donation of Rs. 22, 042,231 received in the year 2024 had not been remitted to the Department of Treasury Operations as per aforesaid Guideline.

- (b) The Suwa Seriya Foundation had entered into an agreement with Sri Lanka Nano Technology Private Limited and CIRQ Technologies, a Hong Kong-registered company, to develop a wearable sensor for fall detection with features to detect glucose and lactate levels. The project consisted of 3 phases: the development of the fall detection sensor software, the development of a device to detect glucose and lactate levels in the body, and the development of a wearable device incorporating both the device and the fall detection sensors. Although the sensor software had been developed by the Foundation for over 2 years spending Rs.6, 601,850, since the project was halted due to the inability to complete other tasks, it was observed during the audit as an idle expenditure.
- Even though the Asian Development Bank wanted to carry out such a project, it was not possible to find a donor organization for it, so at that time they also said that the relevant grants could be provided as soon as the economic crisis in the country was resolved. Therefore, this project would take some time and all the issues related to it were constantly discussed in the previous Director Board meetings, this entire project will be completed as soon as a donor who meets the relevant specifications is found.
- Action should be taken to complete projects within the scheduled time frame.

### 3.3 Procurement Management

Audit Observation	Comments of the Management	Recommendation
(a) Even though, as per paragraph 4.2 of the Government Procurement Guidelines 2006, an entity should prepare a master procurement plan and	Planning is not practical as the General Treasury is not providing the approved budget in full at present. Under such circumstances it is not possible to prepare a major	The procurement plan should be prepared in accordance with the Government

the expected procurement activities for a period of at least 03 years should be listed in the master procurement plan, the Foundation had prepared the procurement plan only for the year under review and there was no mention of capital asset procurements in it.

procurement plan for 03 years and the procurement plan and time schedule were also prepared under very difficult circumstances.

Procurement Guidelines.

- (b) The Foundation had commenced procurement activities using the shopping method to purchase 200 mobile phones in the year 2023. Even though it was stated that quotations were called from 03 institutions and only one supplier submitted bid prices, no evidence was presented to the audit regarding the manner in which the shopping method was invited from 03 institutions. Also, when there were a large number of suppliers with different models under different price ranges in the wide mobile phone market, only one supplier submitted a bid price and the Technical Evaluation Committee made recommendations by considering only that single bid without any comparison and made this procurement at a price of Rs.10, 472,500 in the year under review. Therefore, the Foundation had not paid attention to the purchase of quality goods at the lowest cost.
- Only one of the invited suppliers submitted a bid at the time of opening the relevant bids. The specification has been prepared specifically to address the organizational need and include the essential aspects and characteristics that it must have. Although only one supplier submitted a bid, the relevant order was awarded to the supplier selected according to the technical committee report, since it met the necessary qualifications as per the technical committee report and the procurement was carried out under the shopping method.
- In accordance with the Government Procurement Guidelines, action should be taken to procure quality goods at the lowest cost.

### 3.4 Human Resource Management

Audit Observation	Comments of the Management	Recommendation
<p>As at 31 December 2024, the approved cadre of the Foundation was 1,992 and the actual cadre on that date was 1152. Accordingly, the staff shortage was 840. Furthermore, out of the 42 approved posts, 10 posts were vacant and the staff related to those 10 posts was 24. Out of these, the approved number of Officers in charge of Provinces and Quality Analyst posts was 9 and 5 respectively and those posts had fallen vacant since 2018 and 2022 respectively. Moreover, the post of Assistant Manager (Supply Chain Management) has also fallen vacant since 2018.</p>	<p>Even though applications were called for the vacant posts from time to time, it was not possible to fill the posts on any of those occasions. The main reason for the inability to fill the posts was that all the candidates selected through interviews expected a salary higher than the approved salary scale. Applications are currently being called again for the vacant posts and the relevant interviews are being conducted and suitable individuals will be recruited for those positions immediately.</p>	<p>Action should be taken to recruit essential employees and amend the approved cadre by suppressing non-essential positions.</p>

## 4. Accountability and Good Governance

### 4.1 Internal Audit

Audit Observation	Comments of the Management	Recommendation
<p>Even though the auditee entity shall have its own Internal Auditor, who is to perform an internal audit duly appointed by the governing body of such auditee entity in accordance with sub-section 40 (1) of the National Audit Act, No. 19 of 2018, the Foundation has not yet established an Internal Audit Unit since its inception.</p>	<p>Even though requests have been made to the Department of Management Services from time to time to approve the cadre for this, the relevant approval was not granted.</p>	<p>Action should be taken in accordance with the provisions of the Act.</p>