

President's Fund - 2022

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the President's Fund for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance, statement of changes in net assets /equity and cash flow statement and notes to financial statements for the year then ended 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 financial statements give a true and fair view of the financial position of the Fund as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). 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 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 Sri Lanka Public Sector Accounting Standards 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 Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

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

As per Sub-section 16(1) of the National Audit Act, No. 19 of 2018, the Fund 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 Fund.

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 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 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 the Fund'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 Fund'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. However, future events or conditions may cause the Fund 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 Fund and whether such systems, procedures, books, records and other documents are in effective operation.

- Whether the Fund has complied with applicable written law, or other general or special directions issued by the governing body of the Fund.
- Whether the Fund has performed according to its powers, functions and duties,
- whether the resources of the Fund had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Payables

	Audit Observation	Comment of the management	Recommendation
(i)	A total of Rs.17,252,501 was to be paid from the fund by 31 December 2022 on behalf of 95 patients. It was observed that a total amount of Rs.11,377,501 has not been paid for 67 patients within a period of 01 year to 3.5 years.	It had been informed that payments of Rs. 15.47 million have been made for 86 of these 95 patients.	The necessity to expedited medical assistance payments.
(ii)	It was observed that as at 31 December 2022, a total amount of Rs. 4,011,100 was to be paid for 31 occasions of medical assistance to be paid from the fund to those institutions for the provision of treatment from private hospitals and private institutions, and a total amount of Rs. 2,827,050 was to be paid for the period from 01 years to 05 years.	It had been informed that the amount of Rs. 4,011,100.00 has been paid for these 31 occasions of medical assistance.	The necessity to prompt settlement of outstanding balances.

1.6 Non-compliance with rules, regulations, and management decisions

The following observations are made.

	Audit observation	Comments of the management	Recommendation	
	Reference to laws, Rules and Regulations, etc.	Non-compliance		
(a)	Article 149(1) of the Constitution of the Democratic Socialist Republic	The balances of the Child Protection Fund and the Covid 19 Fund, which were closed after the completion of the	it was also informed that according to the Cabinet Decision numbered	The necessity to comply with existing laws.

of Sri Lanka.	fund's operations, were Rs.29,254,999 and Rs.218,712,624 respectively, a total of Rs.247,967,623 should be credited to the Consolidated Fund, but the money had been credited to the President's Fund.	CP/22/1608/601/018 dated 10.10.2022, on 28.10.2022, Covid 19 - Health and Social Security Fund and C.P. /20/1009/212/017 and by the cabinet decision dated 16.07.2020, the cash balance of the Child Protection National Trust Fund has been transferred to the President's Fund.	
(b) In the President's Fund Act No. 07 of 1978			
(i) Section 03	A Board of Governance meeting of the President's Fund had been last held on 18 October 2019 and after that day, no meeting had been held till the audited day of 31 March 2023.	It had been informed that due to the situation of covid pandemic and the problematic situation in the country, it was not possible to hold the meeting and the meeting of the board of governance was held on 03 May 2023.	The Necessity to comply with the provisions of the Act.
(ii) Section 3(2)	According to the provisions of the act, the Board of Governance , of the fund should consist of seven members, but at the end of the year under review, Board of Governance of the fund was consisting of only 6 members.	It had been informed that the Board of Governance consisted of 6 members due to the resignation of one of the other two members appointed by the President.	The Necessity to comply with the provisions of the Act.
(iii) Section 06	The Funds belonging to the Fund can be utilized as determined by the Board of Governance of the Fund subject to the directions of His Excellency the President, the Board had not obtained the approval till the audited date of	it had been informed that approval for the related expenses had been obtained in Board of Governance the meeting held on 03.05.2023.	The Necessity to comply with the provisions of the Act.

31 March 2023, as to what action to be taken with regard to the payments totalling Rs2,688,482,710 during the year under review.

(iv)	Section 07	Any amount belonging to the fund may be invested in such manner as may be determined by the Board, subject to such provisions as may be made by the President. Rs.8,955 million invested in fixed and call deposits during the year under review had not been approved by the Board of Governance till 31 March 2023.	In the Board of Governance meeting held on 03.05.2023, it was informed that the Board of Governance approval for fixed and call deposits has been obtained.	The Necessity to comply with the provisions of the Act.
(c)	Treasury Operations Circular No. 03/2018 dated 26 July 2018	The bank account number (46051) 51202 maintained by the fund at the Central Bank of Sri Lanka has been inactive for over 4 years from 2019 to 2022, and the account had not been taken to close as per the circular provisions.	In the Board of governance meeting held on 03 May 2023, approval was given to close the account bearing number (46051) 51202 and it was informed that work is being done in this regard.	The Necessity to comply with the provisions of the Act.

1.7 Financial Management

Audit Observation	Comments of the management	Recommendation
(a) In order to facilitate the settlement of hospital bills, the Sri Lanka Deputy High Commissioner's office in Chennai had maintained an advance account since 2010 to enable payments, and in the year 2010 and in the year 2017, Rs.3 million and Rs.6 million were issued as an imprest advance. During a period of 12 years from 2010 till the beginning of the year under review, no payment had been made from this imprest account.	Currently, there is a balance of less than one million rupees in this imprest account and after the balance is over, it was planned to transfer funds through the Ministry of Foreign Affairs to pay for the surgeries performed in India only when needed.	The necessity to effective utilization of funds.

In the year under review, a sub imprest of Rs.1 million was again issued with the approval of the President's Secretary. During the year under review only an amount of Rs.400,000 had been deducted from this imprest account as expenses. This amount was debited to the non-refundable deposit account. Accordingly, at the end of the year under review, the Chennai imprest account was Rs.6.68 million and it was observed in the audit that the amount was underutilized as the imprest was not utilized.

- (b) On 27 January 2023, Sri Lanka's Deputy High Commissioner's Office in Chennai informed that the accumulated foreign exchange difference of Rs.322,051 over the past few years should be reimbursed to the Deputy High Commissioner's office or steps should be taken to write it off from the cash book. This was not disclosed in the financial statements.
- I kindly mention that adjustments related to the accumulated foreign exchange differences that have occurred for several years will be made in the year 2023.
- The necessity to account for all expenses of the fund.

2. financial Review

2.1 financial results

The operational result of the year under review was a surplus of Rs.1,728,990,690 and the corresponding surplus of the preceding year was Rs.1,708,287,272. Accordingly, an increase of Rs. 20,703,418 was observed in the financial result. This improvement was mainly due to the increase in income which was more than the increase in expenditure in the year under review as compared to the preceding year.

3. Operational review

3.1 Management activities

Audit observation	Comments of the Management	Recommendation
(i) during the year under review the fund has spent Rs,1,364.62 million and Rs.139.16 million in the previous year for the implementation of related activities.Accordingly, in the year under review, in comparison	It has been stated that almost 12000 applications received in the years 2019, 2020 and 2021 were withheld without payment based on a policy decision taken at that time and all the applications	The necessity to expedite payment of benefits of the Fund.

- with the previous year, the funds were Rs. 1,225.46 million or 880 percent had increased. It was observed that the expenditure had increased due to payment in the year under review for the medical assistance applied for in the previous years.
- withheld after 28.07.2022 were examined according to the instructions given by his excellency the President and to provide benefits to the patients who should be benefited. Therefore financial investments have increased due to the arrangement.
- (ii) During the year under review, the fund has paid Rs. 1,341.99 million and in the previous year Rs. 131.86 million had been spent for the medical assistance payments. Accordingly, in the year under review, medical assistance payments were increased by Rs. 1,210.12 million or 918 percent by compared with the previous year.
- Almost 12000 applications received in the years 2019, 2020 and 2021 were withheld without payment based on a policy decision taken at that time and all the applications withheld after 28.07.2022 were examined according to the instructions given by his excellency the President and to provide benefits to the patients who should be benefited. It also has been stated that financial investments have increased due to the arrangement.
- The necessity to expedite payment of benefits of the Fund.
- (iii) It was observed that the total amount of Rs.13.038 million was paid from the fund, which was the highest value paid for an individual in the year under review for the medical treatment done by two members of parliament in a foreign hospital, which was Rs.6.083 million and Rs.6.955 million.
- According to the Presidential Fund Act, it was informed that such payments can be made at the discretion of the President.
- By Paying the benefits of the fund should have to focus on benefiting a larger number of beneficiaries.
- (iv) According to the budget estimates, Rs. 200 million and Rs.25 million have been allocated for the scholarship grant and special projects for the students of low-income families who qualify for the GCE A/L examination, but no amount has been spent in the year under review and in the previous year.
- Due to the situation of covid pandemic and problematic conditions, money was not spent for the grant of scholarships and special projects in the year under review and in the previous year. But in the year 2023, it was informed that the scholarship grant activities are being carried out.
- Efforts should be made to fulfil all the objectives of the fund.

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| (v) | An action plan has not been prepared to include the physical and financial information related to the activities in which the money will be used in the year under review to fulfil the objectives of the Act. Although these points have been indicated for several years, but no action has been taken to fulfil that requirement. | It had been informed that it was not possible to carry out the tasks according to the action plan that had been prepared due to the situation of the Covid pandemic and the problematic situation however an action plan was prepared for the year 2023 to achieve the objectives of the Act and the activities were being carried out accordingly. | The necessity to prepare a formal action plan to achieve the objectives of the Act. |
| (vi) | However, according to the action plan prepared for the year under review and submitted for audit, 7 activities were expected to be carried out with an estimated cost of Rs.23.2 million in total, but none of the work had been completed by the end of the year under review. | It had been informed that it was not possible to carry out the tasks according to the action plan that had been prepared due to the situation of the Covid pandemic and the problematic situation however an action plan was prepared for the year 2023 to achieve the objectives of the Act and the activities were being carried out accordingly. | The necessity to work according to the plan |

3.2 Operational activities

Audit observation	Comments of the Management	Recommendation
<p>Medical assistance had been sought by 5101 patients in the year under review relating to heart surgeries, cancers, diseases in knees and groin, kidney disease, brain related diseases and other treatments. However, payments on medical assistance had been made only to 2,750 patients whereas such payments had been made to 1,322 patients in the preceding year. Accordingly, compared to the previous year, the number of patients who have been paid medical assistance increased by 1,428 or 107 percent in the year under review, but it was only 54 percent compared to the number of applications submitted and the number who received benefits in the year under review.</p>	<p>Answer not submitted.</p>	<p>The need to achieve the objectives of the fund to the maximum extent possible.</p>