

1990 Suwaseriya Foundation - 2022 .

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the 1990 Suwaseriya Foundation for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and 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 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 Suwaseriya Foundation as at 31 December 2022, 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 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 Suwaseriya 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 Suwaseriya Foundation or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16(1) of the National Audit Act, No. 19 of 2018, the Suwaseriya 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:

- 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.
- An understanding of internal control relevant to the audit was obtained 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 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.
- 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 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 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	Comment of the Management	Recommendation
<p>In terms of the Memorandum of Understanding signed on 24 April 2018 between the Ministry of Health and GVK EMRI Lanka (Private) Ltd and Section 26 (c) of 1990 Suwaseriya Foundation Act, No.18 of 2018, the recurrent expenditure incurred on the operating activities of the Suwaseriya Foundation shall be reimbursed by the Government. However, an amount of Rs.330,091,526 existed as at 01 January 2022 was not reimbursed even in the year under review. Furthermore, on 27 August 2019, the Cabinet had reached a decision to reduce the financial provision granted to the Suwaseriya Foundation in 2019 to 25 per cent, 50 per cent and 75 per cent in the years 2021, 2022 and 2023, respectively, and after reducing the provisions, it was informed that a proposal be submitted relating to the maintenance of the Suwaseriya Foundation. Nevertheless, such proposal was not presented even</p>	<p>That all related rights and documents have been furnished to the Ministry, difficulties have been pointed out regarding the implementation of an efficient operation without continuous reimbursement of expenditure, although plans were being implemented to charge USD 02 for one visit according to the Cabinet Paper dated 27 August 2019, it was not possible to implement due to the political changes as well as changes in the Ministries, requests were made to provide funds by altering the Cabinet decisions taking into account the service rendered during the Covid 19 crisis and prior to that period, another request was made at the discussion with the State Minister of Health on 25 October 2022 and all relevant documents were handed over, due to the budget deficit of the Treasury by</p>	<p>After discussing this matter with the responsible parties, a suitable mechanism should be promptly implemented to ensure the smooth functioning of the Foundation.</p>

by 31 March 2023 and it was observed that the said situation could directly affect the going concern of the Suwaseriya Foundation. January 2023, the management took steps to seek public assistance to support and maintain the 1990 Suwaseriya ambulance service.

1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comment of the Management	Recommendation
(a) Section 9.1 of Chapter XIV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka.	In terms of provisions in the Establishments Code, an officer may be reimbursed at a rate of Rs.2 per kilometre for mileage. However, contrary to those provisions and without a formal approval from the Director of Establishments, the officers who were assigned to monitor the ambulance service at district level were granted approval by the Board of Directors to use their personal motorcycles for field inspections, and to make payments under 7 rates varying from Rs.23 to Rs.48 per kilometre by the Foundation. Accordingly, an amount of Rs.9,787,851 was paid for 295,400 kilometres on 191 occasions during the year 2022.	That the Officers in Charge of districts have been used their personal motorcycles for field inspections, they are not paid a fuel allowance for such visits and it is impractical paying a traveling allowance of Rs.2 per kilometre as per the provisions of the Establishments Code, an investment has to be made to provide motorcycles for the Officers in Charge of districts, In addition, expenses have to be incurred for fuel, insurance, tyres batteries and maintenance etc., and that, according to the powers vested in the Board of Directors, they have approved the payment ranging from Rs.23 to Rs.48 per kilometre as the traveling allowance based on the current fuel price in order to improve the service whilst considering the cost-effeteness.	Action should be taken in accordance with provisions of the Establishments Code and these type of payments should not be made without approval from the Director of Establishment.
(b) Corporate Guidelines/ Manual for the Public Enterprises issued			

by the Public
Enterprises
Department on 16
November 2021.

- (i) Paragraph 2.3 of the Guidelines
- The Board of Directors shall ensure that a strategic plan has been prepared to achieve the objectives of the institute within a national policy framework, and that plan together with the Action Plan and the Annual Budget should be submitted to the Treasury through the Secretary to the Ministry. Nevertheless, the Suwaseriya Foundation had not so done.
- In addition to attending the day-to-day emergency cases, full attention was given to assisting the Government in its effort to save lives of Covid 19 patients during the year 2021 being a year of Covid, it became a daily struggle to obtain funds to maintain operations, seek assistance for medicines, and acquire fuel to continue the service in the year 2022, all the staff had to perform additional duties to ensure implementation of services, we are facing a budget deficit of 1.4 billion and acute dearth of staff again in the year 2023, that the sole consideration of the 1990 Suwaseriya Foundation is to save lives, and however, we have already prepared our own internal strategic plan.
- Provisions of the Guidelines should be followed.
- (ii) Paragraph 5 of the Guidelines
- In the preparation of Annual Budget, the Suwaseriya Foundation had not focused attention to the matters mentioned in Section 3 (a) of the Annexure I.
- The budget for the budgeted income and capital expenditure has been prepared and presented for the year 2023, the budgeted statement of financial position and the budgeted cash flow statement for the year 2023 have not been submitted, and action will be taken in
- Provisions of the Guidelines should be followed.

accordance with the relevant Guidelines in the future.

2. Financial Review

2.1 Financial Result

The operating results for the year under review was a surplus of Rs. 293,067,249 as against the deficit for the preceding year amounting to Rs. 51,365,905. Accordingly, an improvement of Rs. 344,433,154 was observed in the financial result. This improvement was mainly due to increase in the exchange value of the foreign exchange account of the Suwaseriya Foundation.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation -----	Comment of the Management -----	Recommendation -----
<p>Twenty five ambulances purchased under the financial lease method by the National Budget Department and assigned to the Suwaseriya Foundation on 30 December 2021 were not used up to 31 December of the year under review. Those ambulances, the specific information on the value of which was not furnished to the Audit, were parked in a vehicle yard belonging to the supplier due to not completing their improvement to suit to the services provided by the Foundation.</p>	<p>These ambulances have been purchased without inquiring about the necessary specifications of an ambulance to suit to care services of the hospitals or without appointing any individual from the 1990 Suwiseriya Foundation to the Technical Evaluation Committee, that the funds required for capital expenditures to modify vans as hospital ambulances and purchase medical equipment were released after submitting multiple requests to the Department of Treasury Operations.</p>	<p>Action should be taken to use these ambulances by expediting their modifications.</p>

3.2 Human Resource Management

Audit Observation -----	Comment of the Management -----	Recommendation -----
<p>(a) The approved cadre of the Suwaseriya Foundation as at 31 December 2022 was 1,992 and the actual cadre as at that date was 1,307. Accordingly, there existed 685 vacancies in the cadre and 321 of those vacancies were for the ambulance drivers.</p>	<p>Although it was necessary to fill the total cadre, all recruitments had to be stopped in keeping with the government regulations. Despite being informed the Secretary to the Ministry of Health on 09 January 2023 with a copy to the Additional Secretary</p>	<p>Action should be taken to recruit essential employees and to revise the cadre by suppressing non-essential posts.</p>

to the Ministry of Health that a staff with at least 1,661 members was required to ensure uninterrupted service, it was reduced to 1,312. It was informed about the capability to manage salary of 1,661 staff members from the allocations made for the salaries for the year 2023.

- (b) On 02 September 2021, an officer had been recruited as a Financial Consultant, which is not included in the approved cadre, on contract basis for 06 months for the top managerial post of Head of Finance, and approval from the Department of Management Services was not obtained for that. Even though the appointment could be extended for another period of 06 months in accordance with the conditions applicable to the appointment, his contract period was extended by excessive period of 06 months up to 19 April 2023. Further, the officer holding the post of Financial and Supply Chain Manager was promoted to the post of Acting Head of Finance from 21 August 2021 subject to a probationary period of one year and in accordance with the conditions of the appointment, the respective officer should have fulfilled the necessary qualifications for the post of Head of Finance and the period of probation could be extended for 03 months. However, it was observed that the officer concerned was performing duties in the acting post of Head of Finance even by 31 March 2023 without formal approval.
- Since any qualified candidate could not be selected to fulfil the requirements of the post of Head of Finance even after a series of interviews, a consultant was appointed for a period of one year on the approval of the Board of Directors, in order to ensure the smooth functioning of the financial operations, the Financial and Supply Chain Manager was promoted to the Acting Head of Finance. Since the government stopped the recruitment, the Foundation had to continue his service as the Acting Head of Finance. The decision will be taken on the measures to be taken for the officer acting in the post once the government permits the recruitment.
- All appointments should be made under formal approval.

4. Accountability and Good Governance

4.1 Annual Action Plan

Audit Observation -----	Comment of the Management -----	Recommendation -----
The annual action plan prepared pursuant to section 04 of Circular No. PFD/RED/01/04/2014/01 dated 17 February 2014 of the Ministry of Public Finance and Planning with a long-term vision for the achievement of objectives of the Act had not included the matters in Sections (a),(b),(d), (e), and (f) of the Circular.	The Action Plan for the year 2022 was presented in keeping with the requirements and instructions stipulated under Annexure I of the Guidelines on the Institutional Control issued by the Public Enterprises Department on 16 November 2021 and the Action Plan will be prepared in accordance with the circular in the future.	Annual Action Plan should be prepared in accordance with circular provisions.

4.2 Internal Audit

Audit Observation -----	Comment of the Management -----	Recommendation -----
An Internal Audit Unit as required by F.R.133 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka and Management Audit Circular No. DMA/1-2019 of 12 January 2019 had not been established for the Suwaseriya Foundation.	This request was turned down by the National Salaries and Cadre Commission, although this request was also made to the Department of Management Services through the Ministry in the year 2022, no response was received as yet. According to the recommendations of the Audit and Management Committee, the Chief Internal Auditor of the Ministry of Health included the 1990 Suwaseriya Foundation in the Internal Audit Plan for the year 2023.	Action should be taken to carry out an internal audit as per laws and rules.