

## **Sri Jayawardanapura General Hospital Board -2012**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

In my opinion, except for the effects of the matters described in paragraph 1.2 of this report, the Financial Statements give a true and fair view of the financial position of the Sri Jayawardanapura General Hospital Board as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

#### **1.2 Comments on Financial Statements**

##### **1.2.1 Sri Lanka Public Sector Accounting Standards**

The Financial Statements had not been prepared in accordance with the formats prescribed in the Sri Lanka Public Sector Accounting Standards No. 01

##### **1.2.2 Accounting Deficiencies**

Following observations are made.

- (a) The deficiencies regarding the accounting of expenditure on gratuity and the provision of gratuity are shown below.
  - (i). As the total provision of Rs. 9,307,075 for gratuity regarding 22 employees who had completed 5 years service had been accounted for as the expenditure for the year under review instead of identifying Rs. 1,861,415, the deficit for the year had been over stated by Rs.7,445,660.
  - (ii). Action had not been taken during the year under review to correct the error of making provision of gratuity Rs.107,520 for an employee twice during the preceding year.
  - (iii). The provision for gratuity had been understated by Rs. 746,355 as the provision for gratuity for two employees who had been under temporarily interdiction during the year under review had not been included.

- (b) The value of depreciation on fixed assets had been accounted for as 110,397,396 for the year under review. Instead of accounting the amortisation for the year separately, the total depreciation had been shown as amortisation and this expenditure had been set-off against income and the net result had been shown as nil in the Financial Statements . As the amortisation had not been calculated correctly, the depreciation of Rs.1,157,000 on two ambulances received as donation during the year 2009 had been set-off as amortisation for the year under review.
- (c) While a total expenditure of Rs.2,883,541 for the year under review had been omitted in the Financial Statements, the accrued expenditure of Rs. 65,095, creditors amounting to Rs.2,818,446 and the deficit for the year amounting to Rs.2,883,541 had been understated.
- (d) The Revenue amounting to Rs. 719,127 recoverable from patients for the year under review had been omitted from the accounts.
- (e) As a machine valued at Rs. 2,800,000 received as donation during the year 2010 had been accounted for as a receipt for the year 2012 depreciation for the year 2011 and 2012 had not been calculated. Due to this, depreciation expenditure and the deficit had been understated by Rs. 700,000 in the Financial Statements. The deficit for the previous year also had been understated by the same amount as the depreciation for the year 2011 had not been accounted for.
- (f) Instead of crediting the value of the cancelled cheques during the year to relevant creditors accounts, the expenditure account by Rs. 902,513 and the assets account by Rs.70,200 had been credited and the cancelled cheques account had been debited. Due to this, the deficit for the year by Rs. 902,513 and the assets by Rs. 70,200 had been understated.
- (g) According to the scheme of providing free medical treatment to the employees and their dependents, the registration fee of Rs. 100, medical treatment charges, laboratory test and X-tray test charges should be accounted for as the revenue of the Board and these amounts should be shown in the Financial Statements as amounts spent by the Board for the employees. But, as the registration charges of Rs. 100 had not been considered when the income and expenditure had been calculated, the income and the expenditure of Rs.3,521,000 that should be accounted for during the year under review had been omitted from the Financial Statements.

An expenditure amounting to Rs. 261,735 regarding laboratory test charges to the employees and their dependents revealed during the test audit examination had also been omitted from the Financial Statements.

- (h) The sales commission given by the private traders amounting to Rs. 306,514 had been omitted from the financial statements.
- (i) While a sum of Rs. 1,327,716 had been continuously carried forward as provision for bad debts from past several years, action had not been taken to calculate the actual bad debts and adjust the Financial Statements up to the year under review.
- (j) As the motor vehicle insurance amounting to Rs. 273,163 paid during the year under review for the next year had been included in the Financial Statements the deficit for the year had been overstated by the equal amount.
- (k) A sum of Rs. 31,446,194 had been received by cash in excess of the value accounted for as hospital income from the non-paying wards during the year under review and accounted under 28 revenue heads without identifying that excess income. Accordingly the income of the Board had not been correctly classified and accounted.
- (l) The cost of Advanced Cardiac Centre amounting to Rs. 250,868,581 had been capitalized from the year 2008 and as this building had been depreciated by 2 per cent although it had to be depreciated by 5 per cent annually, the deficit for the year had been understated by Rs. 7,526,057.
- (m) As the overtime expenditure of Rs.403,916 relevant to the previous year had been accounted for as the expenditure for the year under review, the deficit for the year had been overstated by that amount.
- (n) A sum of Rs. 4,265,139 that should be accounted for under capital expenditure had been accounted for under building repair.
- (o) As the expenditure amounting Rs. 228,681 had been debited to vehicle charges income account during the year under review, the vehicle charges income amounting to Rs.1,641,289 had been shown in the Financial Statements as Rs.1,412,608.
- (p) The work in progress amounting to Rs. 64,508,607 as at the year under review had not been shown in the Balance Sheet under work in progress but shown under the fixed assets continuously.
- (q) Action had not been taken to deduct the cost of chillier machine (Central Air-conditioning system) that was disposed of during the year 2011 from the relevant assets account and the depreciation amount from the accumulated provision for depreciation.

- (r) Action had not been taken during the year 2012 to account for the inventory items received from various organizations and individuals as donations.

### 1.2.3. Un-reconciled Control Accounts

The following non reconciliations were observed.

<b>Account Item</b>	<b>Balance according to Financial Statements</b>	<b>Balance as per records/ schedules/ confirmation reports/ inventory certification summary reports</b>	<b>Difference</b>
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	Rs.	Rs.	Rs.
(a) (i) General items in sub stores	4,337,771	5,422,378	(1,084,607)
(ii) Drugs and Surgical consumables in sub stores	47,215,298	46,107,599	1,107,699
(b) (i) Hospital charges receivable (schedule)	85,783,498	84,004,034	1,779,464
(ii) Hospital charges receivable (register)	85,783,498	83,683,968	2,099,530
(c) Expiry stocks	2,836,159	2,649,955	186,204
(d) Channelling income	537,480	1,600,450	(1,062,970)
(e) Staff loans	97,184,211	97,201,237	(17,026)
(f) Ambulance income	1,412,608	1,962,681	(550,073)

### 1.2.4. Accounts Receivable and Payable

#### (a) Accounts Receivable

It was not possible to recover up to the end of the year under review the income recoverable from debtors amounting to Rs. 144,199 for more than two years and less than ten years, Rs. 130,332 remaining from more than ten years, Rs. 6,599,710 regarding the hospital charges recoverable for more than two years and less than five years, Rs. 653,082 remaining for more than five years and Rs. 5,907,011 remaining for more than three years as hospital charges.

#### (b) Accounts Payable

A sum of Rs. 85,301,423 in respect of a period between two years and five years in the creditors and accrued expenditure and a balance of Rs. 222,045,271 relevant to more than five years had not been settled even as at the end of the year under review.

**1.2.5. Lack of Evidence for Audit**

(a) Evidence indicated against the following each item had not been furnished to audit

<u>Item</u>	<u>Value</u> Rs.	<u>Evidence not Furnished</u>
(i) Amount payable to Water Supply and Drainage Board	21,245,734	Confirmation of balances
(ii) Trade creditors	261,563,454	Confirmation of Rs. 197,345,807 Schedules relevant to Rs. 10,446,100
(iii) Amount payable to Medical Supplies Division	331,491,318	Confirmation of balance of Rs.120,158,286

(b) Although a cash receipt should be issued when payment is made over the billed amount at the time of discharging after obtaining residential treatment and later the overpaid amount is recovered. 4 instances were observed where cash received without issuing receipts for a sum of Rs.153,534

**1.2.6. Non compliance with Laws, Rules, Regulations and Management Decisions**

Following non compliances were observed.

<b>Reference to Laws, Rules, Regulations etc.</b>	<b>Non compliances</b>
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(a) Section 12.2.6 of Chapter VII of the Establishments Code	Although a sum of Rs. 74,430 had been paid as acting allowance to the Assistant Accountant for acting in the post of Chief Accountant for 6 months period from December 2011, the approval of the Secretary to the Ministry had not been obtained for this.

- (b) Circular letter No. 2-80/98 dated 14 August 1998 of the Health Ministry Holiday pay amounting to Rs. 64,300 for 20 days had been paid for the Hospital Assistant Accountant from January to August 2012 (except April) ignoring the circular letter
- (c) Paragraph 2 of the Public Administration Circular No. 14/2008 dated 26 June 2008 and No. 22/99 dated 8 October 1999 While there is no entitlement for a monthly transport allowance of Rs. 30,000 to the hospital Accountant and Deputy Director instead of provision of official vehicle, a sum of Rs. 270,000 and Rs. 240,000 respectively had been paid as transport allowance during the year 2012 to the Assistant Accountant and Deputy Director acting in those posts
- (d) Circular letter PED/PU dated 8 July 2009 Although the scheme of recruitment and promotions should be prepared and submitted to the Salaries and Cadre Commission before 30 July 2009, this requirement had not been fulfilled even up to 31 December 2012.
- (e) Financial Regulation 387 Although obtaining over draft from Government bank accounts had been prohibited, over draft amounting to Rs.50,971,571 had existed according to the cash book up to 18 December 2012 and as payments had been continuously made by cheques, over draft amounting to Rs.11,706,267 had existed up to 31 December 2012.

## 2. Financial Review

### 2.1 Financial Results

According to the Financial Statements presented, the operation of the Board had resulted in a deficit of Rs.119,173,526 for the year ended 31 December of the year under review compared with the deficit mounting to Rs. 27,895,777 for the preceding year. When compared the year under review as with the previous year the increases in total materials consumption expenditure by Rs. 83,665,066, employees cost by Rs.118,933,397 and the other operational expenditure by Rs. 34,389,087 had been the main reason for the decline in the financial results by Rs. 91,277,749 .

### 2.2 Legal Actions Instituted Against and by the Board

Following observation are made

- (a) Fourteen cases had been filed in Courts against the Hospital by 14 internal and outside persons regarding retirement before retirement date, correction of salaries, non receipt of promotions in due dates, obtaining higher grade at the time of appointment, obtaining reinstatement and deficiencies in the patients welfare services.
- (b) A case had been filed in the Court by the Hospital against an individual regarding the recovery of hospital charges amounting to Rs. 179,000 from him.

### 2.3 Working Capital Management

Values between the liquidity ratios had been disclosed while insufficient working capital to settle the liabilities of the Board had continuously existed.

<u>Liquidity Ratios</u>	<u>Accepted Ratios</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current ratio	2:1	1:2.7	1:1.9	1:2.4	1:2.9
Acid Test ratio	1:1	1:4.4	1:2.8	1:3.9	1:5

### 3. Operating Review

#### 3.1 Performance

- (a) When the performance of the Board during the year under review is compared with the previous year, a decline had been observed. Details are shown below.

	<b>Performance criteria</b>	<b>2012</b>	<b>2011</b>	<b>Decrease</b>	<b>Percentage during 2012 compared to 2011</b>
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i.	Orthopaedic operations	1,624	1,966	342	18
ii	Eye section OCT tests	190	307	117	38
	Topograph test	50	59	09	15
iii	No. of patients for tests in X-ray section	36,176	40,520	4,344	11
iv	Routine X-ray examinations	41,895	46,925	5,080	11

- (b) It was observed that beds utilization in six wards had been less than 50 per cent
- (c) While performance details for the year 2010 and 2011 had not been maintained in the physical treatment divisions, when compared to 2009 a decrease of 61 per cent in the No. of patients arrived for treatment during the year 2012 and a decrease of 57 per cent in the No. of patients treated including in the residential patients had been observed.

#### 4.2 Management inefficiencies

Following observations are made.

- (a) A spare part had been purchased spending Rs.3,105,000 during the year 2008 for the Digital Fluoroscopy with Angiography machine purchased during the year 2005. An agreement had been entered, paying Rs.1,938,854 for the provision of service to this machine from 01 June 2011 to 31 May 2012 and a sum of Rs.969,427 had been paid regarding two quarters. However, the income received from the report obtained from this machine from June 2011 to 31 May 2012 had amounted to Rs.562,950.

Spare parts had been purchased for the machine spending Rs.3,105,000 during the year 2008 with the objective of obtaining Angiogram tests. However, the No. of tests obtained



for the whole period from the year 2008 to May 2012 amounted to sixteen and the total income that could be received had been only Rs.2,400,000.

Accordingly, as large amount of money had been spent as annual charges for this machine, attention of the Hospital Management had not been paid towards the strategies to increase the Hospital income by increasing the examinations conducted.

It was informed by Chairman that normal tests also could be made by this machine in addition to the Angiogram tests.

- (b) A proposal had been submitted to the Hospital Director by the Consultant Radiologist of the X-ray Department on 02 November 2011 to improve the Ultra sound scan service. Steps had not been taken even up to 31 December 2011 to consider the ways indicated in those proposals.
- (c) Systemizing the information had not been made in a manner to analytically analyze about the composition of free medical treatment charges.
- (d) When providing free medical treatment to the Nursing students although an annual limit of Rs.5000 for clinic and Rs.20,000 for residential treatment had been fixed, a control system had not been established in the Hospital to check as to whether treatments had been provided exceeding these limits.
- (e) A seven day call deposit of Rs.10,000,000 had been started as a guarantee to obtain necessary Bank overdraft facilities to provide treatment to Military patients. This deposit had not been utilized for the relevant objectives after the year 2009. Although it has been disclosed in the Financial Statements as interest of Rs.5,201,232 to be received from this, the attention of the Board had not been paid to increase the interest income by making another investment by re-investing the annual interest income obtained from the investment.

(f) Weaknesses in Selection of Suppliers for Cleaning Services

Cleaning service contract had been awarded to a private organization on monthly charge of Rs.1,619,351 for a period of 3 months from 6 May 2012. It was agreed to extend the contract for the next 6 months based on the performance of 3 months. In this regard following observations were made.

- i. Even though the Ministry had earlier advised as unqualified contractor to provide services, the contract had been awarded to those contractor too.
- ii. Although there were complaints regarding the performance after the relevant 3 months period and it was reported by the Cleaning Services Committee as the

services were unsatisfactory, the contract had been extended again to provide services.

- iii. Although penalty had been recovered monthly based on lack of minimum employees according to conditions of tender, non supply of goods that should be supplied and non accomplishment of relevant services, the cleaning services activities which is an essential service to a Hospital had not been fruitfully taken place.

### **3.3 Operational Inefficiencies**

Following observations were made

- (a) Although a performance Bond for 10 per cent of the value of the full order had to be furnished according to No.6 of the conditions of the Tender document, eight instances of non submission of such Performance Bonds to the value of Rs.25,475,950 had been observed during the test examination regarding the purchase of surgical instruments.
- (b) When paying allowances to the Doctors attached to the Hospital by the Ministry of Health for Post Graduate medical internship training, although training had been completed by some Doctors, instances of payment of allowances to their Bank accounts had been observed. The allowances so paid to ten Doctors during the year under review amounted to Rs.600,654.
- (c) According to the X-ray items stores records, there were 115 bottles of Microbar HD Cap for Ba-Meal and value of those were amounted to Rs.28,700. Of this, the dates were expired for 40 bottles as at July 2011 and the dates of balance 75 bottles had been expired by 31 December 2012. However, out of the 40 bottles the dates of which had expired by July 2011, 15 bottles had been issued even as at December 2012. Accordingly, it was observed that the date expired items had been issued to patients.

### **3.4 Idle and Underutilized Assets**

Following observations are made

- (a) Quantum X-ray machine purchased for Rs.2,800,000 during the year 2003 had been non-functioning from April 2012 to 31 March 2013 and action had not been taken to repair it.

- (b) The Static X-ray machine purchased for Rs.3,995,000 during the year 2008 had been non-functioning in 3 instances or 98 days during the year 2012.
- (c) The dialysis machine idling in the Nephrology and Dialysis Unit during the year amounted to 5. Of this, one machine from 5 years, another machine from 3 years and another machine from 2 years were non operative. However, although these machines had been named as unserviceable by the Board of Survey according to Financial Regulation 756, suitable action had not been taken in this regard.
- (d) Although an Echo machine purchased during the year 1996 had been unusable even as at 31 December 2012, suitable action had not been taken in this regard.
- (e) Stocks for Rs.10,285,333 had remained idle in 4 stores of the Hospital without being utilized.
- (f) Surgical items valued at Rs.1,417,970 idling from 3 years relevant to the Cardiac surgeries had been available in the stores. Although it was decided to sell those stocks at cost and enquires had been made from Private Hospitals, replies had not been received from those Private Hospitals even as at 13 May 2013. It was stated in the reply of the Chairman that items valued at Rs.565,170 had been donated to Ridgeway Children Hospital.
- (g) Although date expired drugs and surgical items valued at Rs.2,836,159 as at the end of the under review had been further identified as unusable, action had not been taken even as at 31 July 2013 to dispose of these items.

### **3.5 Uneconomic Transaction**

Under mentioned observations are made.

- (a) Two Dialysis machines purchased during August 2008 for Rs.3,220,000 had been non-operative during the year 2011. It was notified by the Chief Medical Officer in charge of the Dialysis Unit that these 2 machines were non-operative often and therefore it was suitable to dispose of these machines as it was not useful to repair. Accordingly, it was uneconomic of purchasing these machines as these were non-operative within short period from the purchase without completing the normal life time.
- (b) When purchasing 88,000 units of Amoxicillin with Clavalanic acid inj.1.2g, contract had been awarded by the Technical Evaluation Committee to an institution which submitted the 5<sup>th</sup> lowest price, rejecting 2 institutions which submitted lowest prices,

stating that the quality could not be certified. While 22,000 units had been purchased from that institution at the rate of Rs.142 per unit, as various complaints had been received regarding the quality of this, the purchase of the rest of the stocks had been stopped. Later it happened to purchase at the rate of Rs.119 per unit from the institution rejected by the Technical Evaluation Committee. While Rs.506,000 had been overpaid due to non-purchasing from the lowest price supplier at the first instance, payments had to be made by the patients too, by that amount.

### **3.6. Identified Losses**

The value of the date expired stocks in the surgical stores as at the end of the year under review amounted to Rs.2,113,846. Of this , stocks of Rs.1,274,516 had expired for more than one year.

### **3.7. Deficiencies in Contract Administration**

#### Purchasing new Air-conditioning System for the New Building

- (i). The contract of purchasing a new air-conditioning system to the new building of the Hospital had been awarded to a private institution on the basis of handing over within 150 days. Accordingly, it had not been completed even as at 30 April 2013 which should have been completed by 12 March 2012.
- (ii). An additional estimate for Rs. 1,439,000 had been submitted by the supplier and had been approved for the amendment made to the Duct line in order to keep the chiller machine at the Hospital in working condition. Additional estimates had been submitted often in this manner and the time of completion had been further extended for the reason that these work items had not been included in the original estimate.
- (iii). When the prices of two items in the tender valued at Rs. 16,046,539 submitted by a contractor had been compared with the prices indicated in the Bill of Quantities, they were extraordinarily higher than Rs. 796,000 or 796 per cent and Rs.606,000 or 673 per cent respectively.

### **3.8. Delays in Projects**

Following observations are made.

#### **(a) Contract of Expanding the Vehicle Park at the Hospital**

The above contract had been awarded to a private institution on 5 September 2012 on the basis of completing and handing over within 112 days. The total value of this contract had been Rs. 10,008,776 (excluding taxes) and it was agreed to pay the cost amounting to Rs. 1,096,000 representing 8 per cent of the Engineering estimate to the Central Engineering Consultancy Bureau being functioning as Consultants of the contract.

In this regard the following observations are made.

- (i). Although the work should be commenced within 14 days from the date of award of the contract, the work had commenced after a delay of 14 days, that is, after 28 days.
- (ii). Although written agreement should be entered immediately after the contract had been awarded, the agreement had been entered into on 31 December 2012 which was close to a date determined to end the contract.
- (iii). Although the contract work should be completed by 23 January 2013 the work completed upto 15 January 2013 was 23.8 per cent of the value of the contract or quantity of the work to the financial value of Rs. 2,382,950.
- (iv). When paying the mobilization advance, the tax amounting to Rs. 237,427 for that also had been included.
- (v). Although 1485 Kg. steel wire only had been estimated to do the work under G(1) for the reinforcement according to second bill, 2283.40 Kg. had been utilized . While 798 Kg. over the engineering estimate had been utilized for this and a sum of Rs. 156,680 had been paid additionally.
- (vi). The cost of contract including the consultancy charges and tax money had exceeded Rs.13 million and it was intended to park an additional 50 vehicles. Accordingly, a cost-benefit analysis had not been made regarding the cost spent on this contract and the intended benefit.
- (vii). Reply had been furnished by the Chairman stating that action would be taken according to conditions of contract regarding the deficiencies and delays of contract.

(b) Purchase of Software System for the Hospital

Action had been taken to purchase a software system for the Hospital from a private institution for Rs.24,953,859 ( including tax) and the Head of the Information Technology Science of the Moratuwa University had been appointed as the Consultant of this activity. In this regard, the following observations are made.

- (i). The contract had been awarded on 19 July 2010 and it should have been completed by 26 weeks the work of the contract had not been completed even as at the date of audit, that is,148 weeks.
- (ii). Although an engineering estimate had been submitted by the Consultants for Rs.23,500,000 for preparing 9 software modules, as the cost according to the quotation of the contractor amounted to Rs.16,479,080 the variance according to engineering estimate amounted to Rs.7,020,920 or 30 per cent.
- (iii). When the contract work had been carried out directing and supervision had not been made by the contract consultants as to whether the software modules were done according to the specification.
- (iv). Two hundred computers had been purchased by the Hospital on 9 January 2013 to implement the software system and out of these, 60 computers had been idling in the stores by 14 May 2013.

**3.9 Staff Administration**

The following shortages and excesses between the approved cadre and actual cadre were observed as at 31 December 2012.

<b>Posts</b>	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>No. of Shortages of Employees</b>	<b>No. of Excesses of Employees</b>
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Nursing Staff	550	527	23	-
Nursing Student Staff	300	100	200	-
Management Assistants	121	116	5	-
Orderly	437	373	64	-

Permanent	25	16	9	-
Labourers				
Casual Labourers	-	28	-	28
Pharmacists	20	18	2	-
Medical Officers	144	114	30	-
Receptionists	3	4	-	1
Information System Administrators	1	-	1	-
Information Technologists	3	-	3	-
<b>Total</b>	<b>1,604</b>	<b>1,296</b>	<b>337</b>	<b>29</b>

### **3.10 Establishment of a Fund on behalf of Provision for Gratuity**

While a sum of Rs 324,680,882 had been shown in the Financial Statements as provision for gratuity, action had not been taken to invest the amount equal to this provision.

## **4. Accountability and Good Governance**

### **4.1 Corporate Plan**

Copies of the updated Corporate Plan according to the Public Enterprises Circular No.PED 12 dated 2 June 2003 had not been submitted to the relevant institution within a stipulated time. Although it was planned for the modernization of the medical examination unit during the year 2012 as shown in the targets to be achieved each year as in the plan, it had not been commenced.

### **4.2 Action Plan**

An Action Plan approved by the Board of Directors prepared showing clearly the physical performance and financial performance of the Board according to Section 4:2:2 of the Public Enterprises Circular PED 12 dated 2 June 2003 had not been furnished to audit.

#### **4.3 Internal Audit**

Eight audit programmes included in the Internal Audit Plan furnished for the year 2012 had not been implemented.

#### **4.4 Audit Committee**

Although at least 4 meetings of the Audit Committee should be held for an year according to Public Enterprises Circular No. 55 dated 14 December 2010, only 3 Audit Committee meetings had been held in the Hospital during the year 2012 and the following decisions taken there had not been implemented even as at 30 April 2013.

- (i). Obtaining a new proposal from Medical Specialists for the preparation of a precise system regarding the recovery of professional fees and having discussions and their implementation.
- (ii). Acting according to the objectives of the plan, identifying the paying wards as a separate unit as the proposal in 4.3.1.1 of the Corporate Plan and introducing a proper costing system regarding the wards.

#### **4.5 Orders given by the Parliamentary Committee on Public Enterprises**

Although it was instructed in the meeting of Committee on Public Enterprises held on 21 September 2012 that a new business plan relevant to the Hospital should be prepared and submitted to Committee on Public Enterprises, it had not been possible to implement this even as at 31 May 2013.

#### **4.6 Budgetary Control**

Following observations are made.

- a) As variations from 82 per cent to 1806 per cent relating to 9 items between the budget and the actual income and expenditure had existed the budget had not been used as a useful instrument of management control.
- b) According to the test examinations carried out regarding the purchase of medical equipment, when compared the estimated cost and actual cost, the actual cost of an equipment by 140 per cent and the actual cost of another equipment by 123 per cent had exceeded and the actual cost of an another equipment had been less by 50 per



cent. According to this, prevailing major variations in the estimated cost is an abnormal situation and when preparing the estimate forecasting had not been properly done.

- c) Although the annual pieces of soaps requirement of the Hospital was only 13,980, an overestimate had been made as annual order of the year 2012 was 24,000 pieces of soaps.
- d) A Nano Cab vehicle had been purchased for the Hospital during the year 2012 and according to the proposal submitted to the Board of Directors to purchasing the Cab vehicle, the estimated monthly income was Rs. 240,000 and according to that it was Rs.2,160,000 for 9 months . The difference between estimated income and actual income had amounted to Rs.1,686, 567 and only 22 per cent out of the estimated income had been achieved.

## **5. Systems and Controls**

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman from time to time. Special attention is needed in respect of the following areas of control.

- a) Control of assets and stocks
- b) Staff administration
- c) Expenditure control