

Wijaya Kumarathunga Memorial Hospital for the year - 2010

1. **Financial Statements**

1.1 **Opinion**

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Board of the Wijaya Kumarathunga Memorial Hospital Board had maintained proper accounting records for the year ended 31 December 2010 and except for the affects on the financial statements of the matters referred to in paragraph 1:2 of this report. The financial statements have been prepared in accordance with Generally Accepted Accounting Principles given a true and fair view of the state of affairs of the Board of the Wijaya Kumarathunga Memorial Hospital Board as at 31 December 2010 and the financial results of its operations and cash flows for the year then ended.

1.2 **Comments on Financial Statements**

1.2.1 **Accounting Deficiencies**

The following observations are made.

(a) **Understatements**

- (i) Even though the gratuity expenditure for the year under review amounted to Rs.1,537,045, it had been shown in the financial statements as Rs.1,495,005. Thus the deficit for the year had been understated by Rs.42,040.
- (ii) Even though the depreciation relating to the assets received as donations had been correctly brought to accounts, a sum of Rs.109,887 had been taken again to revenue by deducting from capital grants as amortisation and as such the deficit for the year had been understated by a similar amount.

- (iii) The staff loan receivable amounting to Rs.245,214 had been set off against the gratuity liability. In taking that amount to the accounts subsequently it had been adjusted to the previous years' deficit instead of crediting it to the provision for gratuity account and as such the liabilities of the year had been understated.

(b) Overstatements

- (i) The value of seven electrical fans amounting to Rs.68,628 had been inventorised and written off against the Profit and Loss Account and as such the deficit had been overstated by that amount.
- (ii) As the value of stock of X-rays and chemicals amounting to Rs.30,212 verified at the year end verification had not been computed and added to the value of closing stock and as such the stock had been under stated and the year's deficit had been overstated by the same amount.

1.2.2 Accounts Receivable

Action had not been taken to recover a loan balance of Rs.245,215 due from an officer whose service was suspended in the year 2009 up to the end of the year under review.

1.2.3 Non-compliance with Law, Rules Regulations and Management Decisions

Instances of non-compliance with the following laws, rules, regulations are given below.

Reference to laws, rules, regulations etc -----	Non-compliance -----
(a) Public Enterprises Circular No. PED/12 of 02 June 2003	
(i) Sections 4.2.1(c) and 4.2.2	A proper Action Plan, indicating clearly the financial and physical performance targets and approved by the Board of Directors was not made available.

- (ii) Section 4.2.6 Quarterly performance reports of the Hospital had not been scrutinised by the Board of Directors and they had not been presented to the Treasury as well.
- (iii) Section 5.2.1 The Budget had not been prepared including the required Divisions as per this Section.
- (iv) Sections 5.2.4 and 5.2.5 The approval of the Board of Directors had not been obtained for the budget prepared by the Hospital and it had not been submitted to the relevant authorities within the specified period.
- (v) Section 5.3 Even though a sum of Rs.385,000 had been paid to the Postgraduate Institute of the University of Sri Jayawardanapura for the preparation of the Corporate Plan for the period 2010 - 2014 of the Hospital, the copies thereof had not been submitted to the relevant institutes even up to the end of the year under review.
- (vi) Section 7.4.1 Steps had not been taken to commence the Audit Committee. It was informed that the Audit Committee of the Ministry of Health would cover the Hospital as well.

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| (b) Circular No. 30 dated 15 May 2007 of the Department of Management Services and the Circular letter No. PED/PU dated 08 July 2009. | Recruitment and promotion procedures had not been prepared and submitted to the Salaries and Cadre Commission even by the end of the year under review. |
| (c) Circular No. 12/2002 dated 01 November 2002 of the Ministry of Health Nutrition and Social Welfare | The expenditure incurred on overtime work done in excess of the limit without obtaining the approval of the Secretary to the Ministry amounted to Rs.161,730. The Chairman had informed that the dearth of the nurses, employment of them day and night due to operations had been the reasons for the deployment over time works more than 100 hours. |
| (d) Public Finance Circular No.433(ii) dated 28 September 2009 | A sum of Rs.39,312 had been spent for the publication of a newspaper advertisement to select a contractor for sanitary services by the Hospital. |

2. Financial and Operating Review

2.1 Financial Results

According to the financial statements presented the operation of the Hospital for the year under review had resulted in a deficit of Rs.6,510,215 as compared with the deficit of Rs.3,546,801 for the preceding year, thus indicating an improvement of the deficit by Rs. 2,963,414 in the year under review. The additional expenditure of Rs.1,268,700 incurred on transport of eye patients and the increase of consumables and medical equipment by Rs.3,301,436 had been the main reasons for the increase in deficit.

2.2 Performance

Performance of the year under review compared with that of the preceding year is given below.

	2010	2009	Increase / (Decrease)	Percentage
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				%
No. of OPD patients treated	134,775	137,684	(2,909)	(2.12)
Emergency treatment unit	20,176	20,688	(512)	(2.48)
No. of patients came for clinics	119,897	106,075	13,822	13.03
No. of indoor patients	15,272	15,322	(50)	(0.33)
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	290,120	279,769	10,351	
	=====	=====	=====	
No. of eye surgeries carried out	15,878	13,433	2,445	18.21
No. of normal surgeries carried out	100	210	(110)	(52.38)
No. of laboratory tests	40,756	59,426	(18,670)	(31.42)
No. of X-ray tests	3,367	2,893	474	16.4
No. of ECG tests	2,331	2,201	130	5.91
	Rs.	Rs.	Rs.	
Total expenditure	120,653,737	101,790,718	18,863,019	18.54
Normal patients (Nos)	57,911	58,957	(1,046)	(1.78)
Expenditure per patient (including depreciation)	2,083	1,727	356	20.62

The following observations are made in that regard.

- (a) Number of patients came for clinics and the number of indoor patients had increased and decreased by 13.03% and 0.33% respectively as compared with that of the preceding year.
- (b) Number of eye surgeries carried out had been increased by 18.21% as compared with that of the preceding year whereas the number of normal surgeries had been decreased by 52.38%.
- (c) Laboratory tests had been decreased by 31% as compared with that of the preceding year but the expenditure on Laboratory materials had increased by 62%.
- (d) As compared with the preceding year prices of medical equipment and consumables had increased by Rs.3,499,211 or 1,669% and this had directly affected to increase the deficit of the year.
- (e) Breakdowns in the Air-conditioned system had affected to decrease the performance of the surgeries. Further patients had been referred to external theatres for eye surgeries.

2.3 Idle and Slow Moving Assets

Drugs, consumables, a cash machine and a stock of kitchen equipment valued at Rs.452,532 had remained idle or slow moving for the period ranging from 6 months to 10 years.

2.4 Management Inefficiencies

Within the shorter period of about 2 years, after the commencement of surgeries in the Theatre, Surgeries had been temporary stopped due to defects in the Air - condition system installed by incurring an expenditure of Rs.13.44 million.

The following observations are made in this connection.

- (a) Even though a service agreement had not been entered into with the service company for the servicing the Air-condition system from the 2nd year, monthly payment of Rs.55,200 had been made to the relevant company to operate the Air - condition system. As there was no formal agreement, the responsibility for breakdowns of the Air - condition system could not be entrusted to the company.
- (b) The management had not informed and proper attention was not paid about the defects of the Air - condition system to the Building Department which was the contractual party by which the construction of this building and the supply and installation of the Air - condition system had been undertaken.
- (c) The Hospital had incurred a loss of Rs.5,148,275 due to non-operation of the Air - condition system properly, non - maintenance and non - servicing, making payments to various institutions etc.

2.5 **Budgetary Control**

Significant variances were observed between the budgeted income and expenditure and actuals , thus indicating that the budget had not been made use of as an effective instrument of management control.

3. **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) Stores Control
- (b) Calling Quotations for Raw Foods
- (c) Supply of Sanitary Services
- (d) Keeping Records on Recovery of Money from Eye Surgeries
- (e) Maintenance of Records in respect of the Scrolling Fund relating to the Payment of Distress Loans