

## **Sri Jayewardenepura General Hospital Board – 2016**

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The audit of financial statements of the Sri Jayewardenepura General Hospital Board for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory 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 Section 13(1) of the Finance Act, No. 38 of 1971 and Sub-section (3 ) of Section 12 of the Sri Jayewardenepura General Hospital Board Act, No. 54 of 1983. My comments and observations which I consider should be published with the Annual Report of the Board in terms of Section 14(2)(c) of the Finance Act appear in this report.

### **1.2 Management’s Responsibility for the Financial Statements**

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Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

### **1.3 Auditor’s Responsibility**

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My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000 – 1810).

### **1.4 Basis for Disclaimer of Opinion**

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As a result of the matters described in paragraph 2.2 of this report, I am unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded items, and the elements making up the statement of financial position, statement of comprehensive income, statement of changes in equity and cash flow statement.

## **2. Financial Statements**

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### **2.1 Disclaimer of Opinion**

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Because of the matters described in paragraph 2.2 of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

## **2.2 Comments on Financial Statements**

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

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The following observations are made.

(a) Sri Lanka Public Sector Accounting Standards 07

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The fixed assets costing Rs.1,760,458,764 had been fully depreciated as the useful life of non-current assets had not been reviewed annually. However, they had still been in use. Accordingly, action had not been taken to revise the estimated error in terms of Sri Lanka Public Sector Accounting Standard 03.

(b) Sri Lanka Public Sector Accounting Standards 09

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The accounting policy adopted for the valuation of balance stock of Rs.270,037,438 shown in the financial statements as at 31 December 2016, had not been disclosed in the financial statements.

### **2.2.2. Accounting Policies**

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Even though a sum of Rs.449,499,047 had been shown as provision for post-employment benefits as per the financial statements of the year under review, an accounting policy relating to that provision had not been identified.

### **2.2.3 Accounting Deficiencies**

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The following observations are made.

(a) Medical and surgical equipment costing Rs.23,999,790 which were estimated by the Board of Disposal and fully depreciated in the year under review and also the actual cost and accumulated depreciation of 3,892 units of building materials and furniture had not been identified and eliminated from accounts.

(b) The method of making provision for post-employment benefits adopted at present is to add the cost of living allowance to the basis salary and to allocate the half of the value thereof as per the service period, while the deficiencies observed in the examination thereon is given below.

(i) Provisions for gratuity amounting to Rs.1,004,992 had been made for the year under review in respect of three employees who had retired in the years before the preceding year.

(ii) A gratuity amounting to Rs.168,121 paid to an employee in the year under review had been debited to the Provision for Gratuity Account instead of debiting to the Gratuity Payable Account.

- (iii) Two employees to whom the provision for depreciation had not been made, had retired in the year under review while gratuity amounting to Rs.691,645 paid to them had been debited to the Provision for Gratuity Account instead of adjusting to the profit of the preceding year.
  - (iv) Provision for gratuity totalling Rs. 6,062,715 had been made as at the end of the year under review in respect of other 30 employees to whom the provision for gratuity had not been made by 31 December of the preceding year. However, out of the said amount, a sum of Rs.5,276,554 relating to preceding years had been adjusted to the profit of the year under review instead of adjusting to the profit of the preceding year.
  - (v) Provision for gratuity amounting to Rs.808,897 had not been made for the year under review in respect of two employees served even by the end of the year under review.
  - (vi) Provision for gratuity amounting to Rs.1,845,812 in respect of 84 employees of the year under review had been over-computed and brought to account.
  - (vii) Even though balance of distress loans amounting to Rs.395, 867 and festival advances of Rs.21,750 had been deducted in the payment of gratuity for 03 employees, the loans and advances deducted had not been brought to account.
  - (viii) In making payment of gratuity totalling Rs.334,557 payable to two employees in the preceding year, had been debited to the Provision for Gratuity Account instead of debiting to the Gratuity Payable Account. As such, the Gratuity Payable Account and the Provision for Gratuity Account had been overstated and understated respectively as at 31 December of the year under review.
  - (ix) A pension gratuity of Rs.525,490 paid to an employee who left the service in the year under review, had been debited to the Distress Loan Account and as such, the Distress Loan Account and the Provision for Gratuity Account had been overstated by the same amount.
- (c) The Value Added Tax of Rs.3,115,280 levied on inpatients' room charges in the year under review and paid to the Department of Inland Revenue had been debited to the Value Added Tax Payable Account instead of debiting to the Revenue Account of inpatients' room charges.
- (d) The error of understating the depreciation on property, plant and equipment during the preceding year by Rs.18,095,030 in accounts for the assets purchased from capital grants had been rectified in the year under review. Nevertheless, the assets had not been amortized by a similar amount.
- (e) Depreciation on buildings and furniture had been understated in the account by Rs.93,756 in the year under review.

- (f) The Value Added Tax recoverable on professional fees had not been identified and recovered and instead of that, an estimated sum of Rs.8,500,000 had been debited and credited to the Value Added Tax Receivable Account and a Payable Tax Account respectively.
- (g) The following matters were observed regarding the cash flow statement.
- (h) Even though a depreciation of Rs.243,786,065 pertaining to property, plant and equipment should be adjusted to the profit of the year, it had been adjusted as Rs.257,076,160.
- (i) Adjustments totalling Rs. 15,104,017 relating to the preceding year had been adjusted erroneously to the profit of the year.
- (j) Even though a total sum of Rs.535,040,707 had been spent on the purchase of property, plant and equipment during the year under review, only a sum of Rs.529,873,807 being the balance of said amount after having deducted Rs.5,166,900 as the cost of 04 motor vehicles disposed during the year, had been shown as cash out flows. Further, a sum of Rs.5,267,060 received from the sale of those 04 motor vehicles had not been shown as a cash inflow.
- (k) A sum of Rs.5,497,570 spent on the purchase of property, plant and equipment during the year under review should have been capitalized under the property, plant and equipment. Nevertheless, it had been brought to account as recurrent expenditure.
- (l) The value of 389 units of equipment received as donations in preceding years and in the year under review had not been computed and brought to account.
- (m) The cost of Incinerator valued at Rs.25,359,934 purchased during the year under review had been debited to the Other Buildings Account instead of debiting to the Electrical Equipment Account.

#### 2.2.4 Unexplained Differences

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According to the financial statements and files and Registers made available to audit relating to the following items, there had been a difference of Rs.778,874,210. However, reasons for the difference had not been explained.

Item of Account	File/Register presented to audit	Value according to the Financial Statements	Value according to the File/Register	Difference
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		Rs.	Rs.	Rs.
(a) Stock as at 31 December 2016	Stock Ledger in the computer system	243,908,511	945,610,170	701,701,659

(b) Income from Hospital Charges	Classification of Hospital Charges income in the computer system as at 31 December 2016	1,782,161,942	1,716,661,796	65,500,146
(c) Distress Loans recoverable as at 31 December 2016	Detailed Report on Distress Loans in the computer system	154,018,179	145,639,273	8,378,906
(d) Hospital Charges receivable as at 31 December 2016	Debtors Control Account on Hospital Charges	101,254,073	101,242,256	11,817
(e) Creditors as at 31 December 2016	Schedule submitted with Financial Statements	199,061,610	202,343,292	3,281,682
				----- 778,874,210 =====

### 2.2.5 Lack of Evidence for Audit

The evidence indicated against following items was not made available to audit and as such those could not be satisfactorily vouched or accepted.

Item	Value	Evidence not made available
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	Rs.	
(a) Balance stock as at the end of the year pertaining to 5 Divisions of the Hospital as per computer system	(1,137,150,035)	Documentary evidence to confirm the manner in which the stock had taken a negative value as per the computer system and the accuracy of data in the computer system.
(b) Creditors Hospital Charges Debtors	(22,139,133) (29,157,006)	Documentary evidence to confirm the manner in which creditors and debtors balances had taken negative value and the accuracy of data in the computer system.
(c) Surgical Equipment	199,116,129	
(d) Virtual Stock	-	Documentary evidence to identify the category, quantity and the value of virtual stock included in the stock.

### 2.3 Accounts Receivable and Payable

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The following observations are made.

- (a) Adequate steps had not been taken to recover hospital charges totalling Rs.4,137,333 receivable from the Sri Lanka Army and the Sri Lanka Navy over a period of 07 years.
- (b) The professional fees payable amounting to Rs.3,616,142 older than 06 years as at 31 December 2016 had not been settled or brought to account after having identified as income.

### 2.4 Non-compliance with Laws, Rules, Regulations and Management Decisions

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The following non-compliances were observed.

<b>Reference to Laws, Rules and Regulations</b>	<b>Non-compliance</b>
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(a) Inland Revenue Tax Act, No.10 of 2006	Pay As You Earn (PAYE) Tax should be recovered on the hospital charges which recovered from patients who undergo surgeries and treatments in paying wards and should be remitted to the Commissioner General of Inland Revenue. Nevertheless, Pay As You Earn (PAYE) Tax totalling Rs.45,954,202 estimated relating to the period from January 2016 to April 2017 had not been recovered.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
----- (i) Financial Regulation 756(2)(b)	Even though the Board should consist of an officer who is acquainted with the type of technical stores verified, an officer acquainted with the surgical and medical equipment had not been appointed to the Boards of Survey appointed for the survey of such equipment in the years 2015 and 2016. Further, 05 elevators installed and operated in hospital buildings had been removed and sold at Rs.737,220 without the recommendation of a Board of Survey comprising a Mechanical/Technical Officer to the effect that those elevators were defective, unserviceable or risky in use and without being assessed the value.

- (ii) Financial Regulation 757(2) The Accounting officer shall deal with any discrepancies, shortages and losses identified in physical stock verifications and obtain the explanation of the officers responsible. However, since the virtual stocks had been included in Stock Ledgers in the computer system, discrepancies, shortages and losses of stocks as at 31 December 2016 could not be identified.
- (iii) Financial Regulation 770(3) In any case in which the Board has recommended the destruction of any article the purchase price of which was not less than Rs.3,000, the views of an independent Government Official, competent to express an opinion on the matter should be obtained. Nevertheless, surgical equipment, medical equipment, laboratory equipment, building materials and furniture had been disposed during the year under review without obtaining such opinion.
- (c) Budget Circular No.133 of 09 March 2007 and Public Administration Circular No.30/2008 of 31 December 2008 In terms of circular instructions, the maximum amount of a distress loan that can be granted to an employee is Rs.250, 000. Nevertheless, loans totalling Rs.7,155,924 within the range from Rs.259,660 to Rs.384,639 exceeding the limit had been paid to 135 employees in the year under review. Further, a sum of Rs.6,758,503 within the range from Rs.258,114 to Rs.399,346 exceeding the maximum limit had been paid to 105 other employees during the period of 09 months ended 30 September 2017.
- (d) Circular No.39 of 26 May 2009 of the Department of Management Services, Public Administration Circulars No.18/2015 of 26 June 2015 and No.18/2015(i) of 13 July 2015 Even though a special allowance had been granted to the officers in executive level of the public service, the recommendation of the Salaries and Cadre Commission and the approval of the Department of Management Services should be obtained in case of granting those allowances to corporations. Nevertheless, the said special allowance had been paid to 8 officers holding permanent posts in the hospital without obtaining the said recommendation or the approval. The total allowances so paid during the period from 01 July 2015 to 31 December 2016 amounted to Rs.616,500.

- (i) Public Finance Circular No.02/2015 of 10 July 2015 Even though 04 motor vehicles belonging to the Hospital of which the book value amounted to Rs.5,166,900 had been sold at Rs.5,267,060 during the year under review, those 04 motor vehicles had not been identified as to be disposed by a Special Verification Board comprised of three officers including a Mechanical Engineer/ Technical Officer. Further, the minimum selling price of those motor vehicles had not been determined by a committee comprised of an Inspector of Motor Traffic of the Department of Motor Traffic and a Mechanical/ Technical Officer in terms of Paragraph 05 of the Circular. However, these 04 motor vehicles had been sold by inviting bids and the proceeds received by sale had not been credited to the Consolidated Fund in terms of Paragraph 10 of the Circular. Further, the details of selling motor vehicles had not been informed to the Auditor General.

### **3. Financial Review**

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#### **3.1 Financial Results**

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According to the financial statements presented, the operations of Hospital Board for the year ended 31 December of the year under review had resulted in a deficit of Rs.175,818,974 as compared with the corresponding deficit of Rs.352,618,183 for the preceding year, thus indicating an increase of Rs.176,799,209 in the financial result as compared with the preceding year. The increase in the income of year by Rs.818,636,117 despite the increase in the operating expenditure of the Hospital by Rs.636,319,584 in the year under review had been the main reason for the said increase.

An analysis of financial results of the year under review and 04 preceding years revealed a financial deficit in the year 2012. Nevertheless, there had been a financial surplus in the years 2013 and 2014 and it had again converted to a financial deficit in the years 2015 and 2016. Taking into consideration the employees' remuneration, Government tax and depreciation for the non-current assets, the overall contribution of the Board had improved continuously from the year 2012 up to the year 2014 from Rs.716,896,615 to Rs.1,739,662,005. However, the overall contribution had decreased to Rs.950,142,035 in the year 2015 while it had increased again up to Rs.1,305,091,352 in the year under review and it was an increase by Rs.354,949,317 as compared with the preceding year.



## **4. Operating Review**

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### **4.1 Performance**

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The mission of the Hospital is providing quality patient care with high ethical standards and observations on the performance as per the Action Plan, Procurement Plan and Progress Reports of the year 2016 prepared for the achievement of the said mission, are given below.

- (a) According to the summarized Performance Bulletin prepared for the year 2016, the overall utilization of hospital beds had increased from 63.4 per cent to 68.8 per cent as compared with the preceding year. Nevertheless, the utilization of beds in 8 wards out of the existing 24 wards had decreased within a range from 48.5 per cent to 4.8 per cent.
- (b) The patients subjected to physiotherapy service, pathological services, endoscopy test and E.C.G. test had increased by 141 per cent, 19 per cent, 11 per cent and 17 per cent respectively as compared with the preceding year, thus it was a favourable trend.
- (c) Estimates had been prepared from the year 2014 for the construction of a finance and administration building in respect of the Hospital and it had been included in the Action Plan and the Procurement Plan while provisions amounting to Rs.100 million had been made in the year 2016. Even though this construction was expected to be completed during the year under review, it had not been commenced even by 31 October 2017.

### **4.2 Management Activities**

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The following observations are made.

- (a) A methodology for recording the medical equipment, office equipment, drugs and other materials received to the Hospital as donations, had not been implemented even by 31 December 2016. The value of 389 units of such items received as donations to 28 various Divisions of the Hospital during the preceding years and in the year under review had not been computed and duly recorded in the Register of Fixed Assets, Inventory and in the Stock Register.
- (b) The period relevant to the Memorandum of Understanding entered into between the Sri Jayewardenepura Hospital and the Ministry of Youth Affairs and Skills Development for the establishment of the University College of Health Studies had expired on 09 May 2016 and subsequently the Ministry of Youth Affairs and Skills Development did not hold the said responsibility. However, according to the instructions of the Minister of Health, Nutrition and Indigenous Medicine, the College had functioned on the basis that it should be maintained until the completion of courses followed by the first two batches of the College, the Sri Jayewardenepura Hospital should carry out the administration and financial activities and further, all expenditure incurred by the Hospital should be reimbursed monthly by the Ministry of Health. Nevertheless, a sum of Rs.3,808,586 spent by the Hospital in respect of the College as at 31 December 2016 had not been reimbursed from the Ministry of Health even by August 2017.

- (c) Action had not been taken even by 31 October 2017 to identify and implement a specific policy or a scheme to internally transfer the hospital staff among the Divisions. According to the information made available to audit by the Administration Division of the Hospital, a summary on the staff employed at the same Division or a station for a period over 10 years is given below.

Category of Service -----	Number of Employees -----
Nurses	71
Orderly Employees	115
Management Assistants	25

It was observed that this situation will cause the weakness in the entire system of internal control due to the reasons such as the failure to engage the officers and employees in another Division as a result of the skills only in one field or activity, failure to gain knowledge on the activities of each Division by all officers and employees according to the respective post and the difficulty in the administration of staff.

- (d) The bills of patients directed to the Sri Jayewardenepura Hospital for heart surgeries by Government hospitals had been set off against the bills of drugs obtained from the Medical Supplies Division by the Sri Jayewardenepura Hospital. At the discussions held with the Ministry of Health, Nutrition and Indigenous Medicine from the year 2009 in this connection, it had been decided to formulate a Memorandum of Understanding between the two parties on the methodologies for the direction of patients to this Hospital for heart surgeries by Government hospitals, the confirmation of approval therefor of the Ministry of Health, Nutrition and Indigenous Medicine and for the settlement and set off of bills. Nevertheless, such agreement had not been entered into even by 31 October 2017. As such, patients had been directed to this Hospital and surgeries were performed without a proper methodology and in addition to the expenses on surgeries, charges for tests also included in the hospital bills. Further, the cost of bills had increased due to the increase in the number of hospitalized days by those patients. However, the Medical Supplies Division had not agreed to set off those additional charges. Further, the Hospital had taken action unilaterally to set off the hospital charges totalling Rs.260,636,619 recoverable as at 31 December 2015 from the payable amount to the Medical Supplies Division in the year under review, thus it had not been set off by the Medical Supplies Division.
- (e) Professional fees had been charged from patients for surgeries and treatments carried out in the Paying Wards and 99.85 per cent out of those fees had been paid to the Specialist Medical Officers, Medical Officers and to the assisting staff participated in the surgery. The total professional fees so paid during the year 2016 alone amounted to Rs.309,427,740. The following observations are made in that connection.
- (i) Even though the approval of the Cabinet of Ministers had been received for the Specialist Medical Officers to engage in private practices outside normal duty hours, the Management had not prepared a specific methodology in respect of the value of the professional fees recoverable and the manner in which that value is computed. However, the relevant Specialist Medical Officer had decided the professional fees recoverable at his own discretion.

- (ii) Despite the non-availability of any authority or approval that professional fees were payable to or recoverable from the other Medical Officers, Nurses and to the assisting staff participated in surgeries except the Specialist Medical Officers, a total sum of Rs.77,925,691 had been paid as professional fees to them during the period from 01 January 2016 to April 2017.

#### **4.3 Operating Activities**

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Drugs and surgical goods costing Rs.5,707,922 issued to 8 Operation Theatres by the sub stores of Operation Theatres during the period from 01 January 2016 to 30 September 2016 had not been added to the hospital charges and recovered from patients. Further, the total cost of Rs.238,304 pertaining to 609 units of surgical goods not issued to the Operation Theatre, had been recovered from patients as hospital charges.

#### **4.4 Procurement and Contract Procedure**

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The following observations are made.

- (a) Even though the Board of Directors had decided to assign the work of consultancy for repairs and construction of 22 toilets established in the “C” building to the Department of Buildings, the approval of the Procurement Committee had not been obtained therefor. The engineer’s estimate prepared by that Department amounted to Rs.122,771,550 and a mobilization advance of Rs.8,000,000 had been paid to the said Department on 12 August 2015. Subsequently, the Hospital had cancelled that contract due to the inadequacy of performance of the constructions even by 20 May 2016. Nevertheless, action had not been taken even by 31 October 2017 to obtain the bills for the work done until then by the Department of Buildings and to settle the advances given.
- (b) (i) The lowest bid of Rs.1,556,775 less than 52 per cent of the engineer’s estimate amounting to Rs.3,286,800 prepared in respect of the contract for the installation of Aluminium Sun Shades in the Cardiology building, had been selected as the qualified contractor without a detailed evaluation and obtaining a Rate Analysis of the contractor and an additional performance security in terms of Guideline 7.9.11 of the Procurement Guidelines .
- (ii) Despite the possibility of awarding contract for the supplier who submitted the second lowest price of Rs.3,278,550, it had been decided to invite bids again and the contract had been awarded to the contractor who submitted the lowest price of Rs.3,385,800. As such, the price had increased by a sum of Rs.107,250.
- (c) The contract for painting rooms and repairing the bath rooms and the ceiling of the Bachelor Medical Officers’ Quarters of the Hospital at a cost of Rs.4,002,270 had been awarded without obtaining a performance security as 5 per cent of the contract sum in terms of Guideline 5.4.8 of the Government Procurement Guidelines. Even though the contract should be completed and handed over as at 20 December 2015 in terms of Bid Condition No.12, the contract had been completed on 23 May 2016 whereas the total amount had been paid without charging the liquidated damages.

- (d) The contract for the repairing of Hitachi Chiller Machines of the old building at a cost of Rs.1,250,000 had been awarded to a private institution on 28 September 2015 without entering into an agreement in terms of Guideline 8.9.1 of the Procurement Guidelines.
- (e) Provisions amounting to Rs.80 million had been made in the year 2016 required for the construction of Work Shop Building planned to be commenced in the year 2015 as per the Procurement Plan. Nevertheless, the award of contract had been delayed up to 09 November 2016 due to the delay in procurement process and the contract had been awarded at Rs.96.5 million on that day. According to the letter of awarding contract, this contract should be commenced on 30 January 2017 and completed as at 29 April 2018. However, the financial and physical performance even by 13 September 2017 had been Rs.27,131,481 and between 10 and 12 per cent respectively.
- (f) Provisions amounting to Rs.100 million had been made in the year 2016 required for the construction of male nurses' quarters planned to be commenced in the year 2015 as per the Procurement Plan. Nevertheless, the commencement of procurement process had been delayed up to 09 September 2016 while the contract had been awarded on 16 February 2017. However, the agreements had not been entered into even by 31 October 2017. Even though this construction work for which a mobilization advance of Rs.12,945,941 had been paid, should be completed as at 27 June 2018, even the construction of foundation of the Building had not been completed as at 31 December 2017.

#### **4.5 Identified Losses**

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The following observations are made.

- (a) A number of 159 units of surgical goods purchased at a cost of Rs.4,118,100 in the year 2012 for the Neuro Surgical Unit had been disposed in the year under review due to the expiry on 31 December 2014. Even though the Committee on Public Enterprises had directed to conduct an investigation on ministerial level into the purchase of these goods without studying the consumption pattern during the preceding years and identifying the requirement and submit a report, the said investigation had not been conducted.
- (b) The total cost of stocks of expired drugs and surgical goods existed in 5 stores, 9 wards and in 4 other Divisions of the Hospital as at 31 December of the year under review amounted to Rs.449,294. However, those had not been properly destroyed and eliminated from books even by 31 October 2017.
- (c) A number of 190 Micro Bar Enema Kit Packets purchased for the Radiology Department without properly identifying the requirement, had remained in the stores of the Radiology Department as a slow moving item even by 31 December 2016. Out of those packets, 140 packets were to be expired in July 2017 and 60 packets included therein had been donated to the National Hospital of Sri Lanka in March 2017. Forty packets costing Rs.108,000 had expired as at 31 October 2017.

## **4.6 Staff Administration**

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The following observations are made.

- (a) Even though Directives had been given at the meetings of Committee on Public Enterprises held on 10 February 2016 and 09 June 2017 that the Ministry of Health, Nutrition and Indigenous Medicine should intervene directly to fill permanently the vacancies that existed in main posts such as the Director and the Chief Accountant of the Hospital, permanent officers had not been appointed to the posts of Director and the Chief Accountant even up to 31 December 2017.
- (b) A lady medical officer employed in the Hospital until then had been appointed to act in the post of Deputy Director from 08 July 2013. The said officer had not fulfilled the qualifications such as 7 year experience in Medical Administration, a recognized postgraduate degree and age less than 45 years which should be completed at the time of appointment as per the scheme of recruitment pertaining to the post. Even though an officer who is unable to pass beyond a salary point in his own substantive post on account of his failure to pass a prescribed qualifying examination or an Efficiency Bar, should not be appointed to act in a superior post in terms of Section 13.4.1 of Chapter II of the Establishments Code, she had been appointed despite the failure to earn the salary increments for 12 years as the Efficiency Bar Examination has not been passed. Further, acting salaries totalling Rs.1,827,893 had been paid during the period from 08 July 2013 to 31 January 2017 without issuing a formal letter of appointment enabling the payment of acting salary for this lady officer.
- (c) A medical officer who was not given a formal letter of appointment to the post of Director of the Hospital had assume the duties of that post from 04 March 2015 and since then he had involved in all decisions of management level of the Hospital up to 31 December 2017. The Board of Directors had given the approval for payment of initial salary and all other allowances pertaining to the post of Director disregarding the non-receipt of a formal letter of appointment and as such salaries and allowances totalling Rs.5,903,431 had been paid to the said officer during that period. The qualifications such as 7 year experience in Medical Administration and a recognized postgraduate degree which should be completed at the time of assuming duties as per the scheme of recruitment for the post of Director, had not been fulfilled.

## **5. Accountability and Good Governance**

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### **5.1 Corporate Plan**

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Even though a Corporate Plan had been prepared for a period of 05 years, the following observations confirmed that action had not been taken as per that Corporate Plan and the Action Plan had not been prepared in line with the Corporate Plan.

- (a) The Corporate Plan prepared for the period from the year 2014 to the year 2018 had not been updated for the year 2016

- (b) According to the Corporate Plan, functions such as establishment of a cafeteria for Doctors, construction of a laboratory of high standard for heart patients and improvement of Neonatal Intensive Care Unit to be implemented in the years 2015 and 2016, had not been included in the Action Plan of the year under review.
- (c) Functions not included in the Corporate Plan such as repairing of central air conditioning system, improvement of the electricity supplying system and purchase of elevators had been included in the Action Plan of the year under review and implemented without updating the Corporate Plan.

## 5.2 Action Plan

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The following observations are made.

- (a) Estimated value relating to each targeted function had not been included in the Action Plan.
- (b) Progress reports had not been prepared quarterly so as to enable to identify the progress of the achievement of the intended targets and objectives according to the Action Plan, to identify the amount spent thereon according to the Budget Estimate and copies of those had not been furnished to the relevant Ministry and the Department of Public Enterprises in terms of Section 4.2.6 of the Public Enterprises Circular No.PED/12 of 02 June 2003.

## 6. Systems and Controls

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

Areas of Systems and Controls	Observations
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(a) Fixed Assets Control	<ul style="list-style-type: none"> <li>(i) Failure in taking action to identify physically all fixed assets, assess their values and to record them in the Register.</li> <li>(ii) Failure to record a sum of Rs.39,157,304 spent on the improvement of buildings during the year under review, in the computer printout which contain the fixed assets purchased in the year.</li> </ul>

- (b) Stock Control Non-maintenance of inventories of drugs and surgical goods in the stores as well as in other sub-stores in the updated manner, failure to include in the computer system the cost of 350 types of surgical goods existed in 5 Divisions of the Hospital due to the non-introduction of a methodology for accounting the receipts and issue of stocks and stock balances accurately, recording the figures in the Stock Verification Reports with a pencil and failure in certifying the accuracy thereof and failure in placing the signatures of officers in charge of main stores in the Stock Verification Reports
- (c) Staff Administration Failure in taking action to prepare and obtain approval for the proper schemes in respect of recruitments, promotions, grading and salary scales.
- (d) Contract Administration Failure in super-checking and supervising continuously in respect of contract administration.
- (e) Control of Purchases Failure to purchase by identifying the requirement and failure in taking action to obtain the service of suppliers in terms of conditions.
- (f) Computer Accounting System Failure to enter the journal entry number, characteristics and details into the system and failure to enter the details on double entry in Ledger Accounts.