

## **Wijaya Kumaratunga Memorial Hospital Board - 2020**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Wijaya Kumaratunga Memorial Hospital Board for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial performance, 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 the Finance Act, No.38 of 1971. My comments and observations which I consider should be presented in Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the Hospital Board as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

#### **1.2 Basis for Qualified Opinion**

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My opinion is qualified based on the matters described in paragraph 1.5 of this report.

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 my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

#### **1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

In preparing the financial statements, management is responsible for assessing the Hospital Board'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 Hospital Board or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16(1) of the National Audit Act, No. 19 of 2018, the Hospital Board is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable the preparation of annual and periodic financial statements of the Hospital Board.

#### **1.4 Auditor's Responsibility for the Audit of Financial Statements**

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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:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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.
- Obtain an understanding of internal control relevant to the audit 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 Hospital Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital Board'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 Hospital Board 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 Hospital Board and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Hospital Board has complied with applicable written law, or other general or special directions issued by the governing body of the Hospital Board;
- Whether the Hospital Board has performed according to its powers, functions and duties; and
- Whether the resources of the Hospital Board had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## 1.5 Financial Statements

### 1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards

<b>Non-compliance with Reference to the relevant Standard</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
<p>The useful life of non-current assets had not been reviewed annually in terms of paragraph 65 of Sri Lanka Public Sector Accounting Standard 7. As such, action had not been taken in terms of Sri Lanka Public Sector Accounting Standard 3, to revise the estimated error on useful life of fully depreciated assets costing Rs.197,080,968 still being used and to disclose its correct carrying amount in the financial statements.</p>	<p>In terms paragraph 65 of Standard 7, a report on the assets fully depreciated was prepared and it has been forwarded to the Ministry of Health to revalue the same and further, the Ministry of Health has informed that deploying of officers was difficult due to the Covid pandemic.</p>	<p>Action in terms of the Standard should be taken to rectify those errors and to prepare and present the financial statements for the year 2021 accordingly.</p>

## 1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Accrued Consultants' fees amounting to Rs.30,981,636 and accrued sundry expenses amounting to Rs.3,535,910 as at 31 December 2020 had not been brought to account. As such, the deficit for the year under review had been understated by Rs.34,517,546.	As the approval of the Chairperson had not been received, it was not brought to account.	Financial statements for the year 2021 should be prepared and presented after rectifying this error.
(b) Amortization value of Rs.2,021,221 of the year under review relating to non-current assets at a total cost of Rs.14,308,094 received as donations, had been debited to the Capital Grants Account instead of debiting to the Donation Account.	Has been rectified in the year 2021.	Financial statements for the year 2021 should be prepared and presented after rectifying this error.

## 1.6 Non -compliance with Laws, Rules, Regulations, Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non - compliance	Comments of the Management	Recommendation
(a) Wijaya Kumarathunga Memorial Hospital Board Act, No. 38 of 1999 Section 7	Action had not been taken even up to 30 April 2021 to vest the ownership of the land located at Seeduwa which had been specified in the Schedule of the Hospital Board Act, in the Hospital Board.	The ownership of the land had been vested in the Board of Directors of the Hospital by Deed No.798.	Immediate action should be taken to vest the ownership of the land which was specified in the Act, in the Hospital Board.
(b) Financial Regulations of the Democratic Socialist Republic of Si Lanka Regulation 571(2)	Action had not been taken in terms of Financial Regulations relating to retentions of Rs.326,825 lapsed for 2 years and repayable tender deposits of	Even though the relevant institutions had been briefed relating to retention monies lapsed for 2 years, requests had not	Action should be taken in terms of Financial Regulations.

Rs.90,874.

been made thereon and arrangements will be made to take to the income in the year 2021.

- (c) Public Enterprises Circular No.PED/12 of 02 June 2003 Section 9.3.1
- Even though Schemes of Recruitment and Promotion for the posts of approved cadre should be formulated and obtained the approval from the Department of Management Services, Schemes of Recruitment had not been formulated even by the date of this report.
- Action has been taken by the Board of Directors to formulate Schemes of Recruitment.
- Action should be taken in terms of Public Enterprises Circulars.

## 2. Financial Review

### 2.1 Financial Results

The operations of the year under review had resulted in a deficit of Rs.73,649,566 as compared with the corresponding deficit of Rs.64,968,925 of the preceding year, thus observing a decline of Rs.8,680,641 in the financial result. The decrease in other income by Rs.1,374,616 and the increase in the expenditure for the year by Rs.40,209,741 had mainly attributed to the said decline.

## 3. Operating Review

### 3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
Provision of Rs.256 million made in the year 2019 for the construction of a Wards Complex had not been utilized and a commitment had been entered into by 31 December 2020 for payment of a sum of Rs.30,981,636 as Consultants' fees. However, as constructions had been suspended	Subsequent to the completion of all procurement activities by the Procurement Committee of the Ministry of Health and submission to the Cabinet Appointed Procurement Committee, the newly elected Government has suspended all constructions for a period of 2	Provision made should be effectively used.

by the date of this report, it was observed that the said amount payable in future, as a fruitless expenditure.

years, thus the said project has also been suspended. Moreover, as this Project could be implemented in future, the said expenditure cannot be considered as fruitless and that as this is a policy decision taken by the Government, this matter is beyond their control.

### 3.2 Human Resource Management

Audit Observation	Comments of the Management	Recommendation
<p>(a) An officer had been recruited without approval of the Department of Management Services on 15 December 2017 for the post of Registered Medical Officer exceeding the approved cadre. Moreover, 08 officers had been recruited on contract basis for 05 approved permanent posts without taking action to recruit officers on permanent basis.</p>	<p>That a Registered Medical Officer was recruited due to the dearth of Medical Officers in the hospital, the Salaries Commission has informed that approval cannot be granted for creating a new post and as such, these Medical Officers have been deployed in the service for vacancies and as a result, no financial loss whatsoever has occurred. Even though action was taken to recruit Medical Officers and Nursing Officers by publishing newspaper advertisements, qualified officers had not applied therefor. As such, qualified officers had to be recruited on contract basis in this manner to continue treatment of patients.</p>	<p>Approval of the Department of Management Services should be obtained for creating new posts for the hospital staff. Moreover, action should be taken to recruit officers on permanent basis.</p>
<p>(b) A post of Secretary to the Board of Directors of the Hospital Board has been created without approval of the Department of Management Services and an officer had been appointed since September 2019 and a sum of Rs.560,000 had been paid as salaries and allowances during the period from that day up to 31 December 2020.</p>	<p>According to a decision taken at the meeting of the Board of Directors dated 03.10.2018, this officer had been appointed on temporary basis by paying an allowance to perform the function of the Secretary to the Board of Directors and to coordinate the relevant affairs.</p>	<p>Approval of the Department of Management Services should be obtained for creating new posts for the Hospital staff.</p>