

## Sri Jayewardenepura General 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 Sri Jayewardenepura General 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 and notes to financial statements for the year then ended including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No. 19 of 2018 and Finance Act, No. 38 of 1971. My comments and observations which I consider should be 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 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 (SLAuS). 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 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 intend to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

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

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

#### 1.4 Auditor's Responsibilities for the Audit of the 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:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 audit 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 audit report. However, future events or conditions may cause the 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 Board and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Board has complied with applicable written law, or other general or special directions issued by the governing body of the Board ;
- Whether the Board has performed according to its powers, functions and duties; and
- Whether the resources of the Board had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

## 1.5 Audit Observations relating to the Preparation of Financial Statements

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

Non-compliance with Reference to the Relevant Standard	Comment of the Management	Recommendation
(a) According to Section 47 of the Sri Lanka Public Sector Accounting Standard 03, an entity shall correct material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by restating the comparative amounts for prior period(s) presented in which the error occurred. However, without doing so, a sum of Rs. 10.26 million had been adjusted to the accumulated deficit brought forward from 01 January 2020, as prior year adjustments whilst a sum of Rs. 2.8 million had been adjusted to the other reserve balance. No disclosure had been made in the financial statements in that connection.	The fact is acknowledged. Instructions have been given to avoid such situations in the year 2021.	The Sri Lanka Public Sector Accounting Standards should be followed.
(b) Due to failure in reviewing the useful life of non-current assets annually in terms of Section 65 of the Sri Lanka Public Sector Accounting Standard 07, fixed assets valued at Rs. 2,901.52 million were still in use despite being fully depreciated. However, those assets had not been disclosed in the financial statements, and action had not been taken in terms of Sri Lanka Public Sector Accounting Standard	As fully depreciated assets are still in use, approval of the Board of Directors has been obtained to revalue all of those fixed assets, and this process will be completed by this year.	Provisions of the Standards relating to the assets still being used despite being fully depreciated, should be followed.

03 to revise the estimated error relating to the useful life of the said assets.

- (c) The accounting policies adopted for the recognition of revenue, including the methods adopted to determine the stage of completion of transactions involving the rendering of services should be disclosed in terms of Section 39(a) of the Sri Lanka Public Sector Accounting Standard 10. Nevertheless, the accounting policies adopted to compute the hospital charges totaling Rs. 2,353.15 million in the year under review had not been disclosed.
- A specific accounting policy should be adopted to compute the hospital charges, and that policy should be disclosed in the financial statements.

#### 1.5.2 Accounting Deficiencies

----- Audit Observation -----	Comment of the Management -----	Recommendation -----
(a) The value of debtors and expenses incurred by the Hospital free of charge relating to 15 Bed Head Tickets in the year under review had repeatedly been credited to the hospital charges control account. Hence, it was observed in an audit test check that income through hospital charges had been overstated by Rs. 13.81 million in the accounts.	After checking with the Information System, action will be taken in the year 2021 to rectify the value mentioned herein and the accounting error pointed out in the audit query.	The error should be corrected.
(b) The debit balance of Rs. 4.23 million existed in the hospital charges control account as at 31 December 2020 had been transferred to the residential charges account instead of making necessary adjustments after being recognized. Hence, income earned through residential charges, had been understated by that amount in the financial statements.	The hospital charges control account will be analyzed as at 31 December 2020, thereby taking action to make necessary adjustments in case of any difference. Action will be taken to avert the issues in due course.	- Do.

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|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (c) | A methodology to properly account the professional fees, professional charges and refunds had not been recognized. The debit balance of Rs. 62.64 million existed in the professional charges account as at 31 December 2020, had been transferred to the hospital charges control account instead of making necessary adjustments by identifying the reasons. Hence, the profit of the year had been understated by that amount in the financial statements. Furthermore, action had not been taken even in the year under review either to recognize as an income or settle the payable sum of Rs. 3.62 million brought forward in the professional charges account since the year 1998. | The matters pointed out in the audit query are acknowledged. Action is being taken to correctly account the professional charges.                                   | A policy should be formulated relating to the professional charges and refunds; thus showing the recoveries and payments in the financial statements according to that policy. |
| (d) | Despite being identified that the sum of Rs. 20.45 million receivable from the debtors as at 31 December 2020 could not be recovered, provisions relating to the impairment value thereon had not been made in the financial statements                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Action has been taken to allocate for doubtful debts of the debtors since the year 2021, and this will be disclosed in the financial statements.                    | This error should be rectified.                                                                                                                                                |
| (e) | Although a sum of Rs. 1.33 million being the value of assets received as donations in the preceding year and the year under review had correctly been debited to the accounts of the fixed assets, the said value had been credited to the creditors account instead of being credited to the donations and grants account. As such, the value of capital grants had been understated by that amount in the year under review.                                                                                                                                                                                                                                                             | The assets received as donations being credited to the creditors account, will be corrected in the year 2021.                                                       | - Do.                                                                                                                                                                          |
| (f) | The credit balance of Rs. 22.88 million existed in the hospital charges account relating to debtors and the debit balance of Rs. 22.16 million existed in the trade creditors' account as at 31 December 2020, had been set off against their opposite balances instead of making necessary adjustments by identifying the reasons. Furthermore, the overdraft balance of Rs. 5.13 million existed as at                                                                                                                                                                                                                                                                                   | Reconciliation of creditors and debtors accounts is being done for the year 2021, and corrective measures will be taken when presenting accounts for the year 2021. | Action should be taken to make adjustments by identifying the differences in the accounts.                                                                                     |

31 December 2020 in a current account maintained by the General Hospital Board at a private bank, had been shown after being deducted from the current assets instead of being disclosed as a current liability.

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|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| (g) | The fixed deposit valued at Rs. 12.50 million maintained by the General Hospital Board under the Dialysis Assistance Fund, had not been included in the financial statements.                                                                                                                                                                                                                                                                                                                                                                                                                       | The fixed deposit relating to the Dialysis Assistance Fund has correctly been shown in the financial statements of the year 2021. | Investments made in respect of the Funds should be mentioned in the financial statements. |
| (h) | The BMW motor vehicle received by the General Hospital Board in the year 2018 from the Ministry of Finance, had been registered under the Chairman of the General Hospital Board, but the value thereof had not been assessed and brought to accounts.                                                                                                                                                                                                                                                                                                                                              | After being revalued, the value of the vehicle has been shown in the financial statements of the year 2021.                       | The assets belonging to the Board should be declared in the financial statements.         |
| (i) | The sum of Rs. 3.63 million being the cost of 02 buildings that had been demolished during 2016/2017 and the relevant accumulated depreciation had not been eliminated from books even in the year under review. As such, cost on buildings had been overstated by that amount in the financial statements. The cost of equipment that had been sold in the year 2016 without identifying the value of sale along with the equipment sold at a price of Rs. 5.03 million after being disposed in the year 2018 and the accumulated depreciation, had not been identified and eliminated from books. | This error has been corrected in the accounts of the year 2021.                                                                   | The said error should be corrected.                                                       |
| (j) | Due to accounting errors, sums of Rs. 38.55 million and Rs. 8.29 million had been overstated and understated respectively in the work in progress account. Accordingly, the balance of the work in progress account had been overstated by a net value of Rs. 30.26 million by the end of the year under review.                                                                                                                                                                                                                                                                                    | - Do.                                                                                                                             | - Do.                                                                                     |

- (k) As for a case filed by an interdicted employee at the Labor Tribunal against the Hospital, a sum of Rs. 1.62 million had been deposited by the General Hospital Board at the Labor Tribunal. Although the Labor Tribunal had paid that sum to the relevant employee during the year under review, that payment had not been recognized as an expenditure of the year under review. As such, the profit and current assets of the year under review had been overstated by an equal amount in the financial statements.
- Do.
- This error should be corrected.
- (l) According to the accounts of the General Hospital Board, the sum payable by the General Hospital Board for the medicines and surgical items purchased from the Medical Supplies Division, totaled Rs. 472.52 million as at 31 December 2021. However, according to the information made available to the Audit by the Medical Supplies Division, the said balance amounted to Rs. 631.89 million as at that date. Nevertheless, action had not been taken to identify the reasons for the difference of Rs. 159.37 million and make the necessary adjustments.
- As approval had been given that the medicines obtained from the Medical Supplies Division only to be issued to the kidney patients be provided for the Hospital free of charge, information on those medicines is maintained in the Information System sans the value. As such, the values shown in the financial statements are correct. When dangerous drugs are purchased from the Medical Supplies Division, such drugs are issued only after making payments. As such, it should be deemed inappropriate that the values maintained by the Medical Supplies Division are tallied with that of the ones shown in our financial statements.
- A reconciliation statement should be prepared and presented with the accounts of the General Hospital Board in respect of the sum payable for the medicines and other surgical items purchased from the Medical Supplies Division.

## 1.5.3 Non-reconciled Accounts or Reports

Item	Value as per Financial Statements	Value as per Lists, Registers & Computer Reports	Difference	Comment of the Management	Recommendation
	Rs. Million	Rs. Million	Rs. Million		
(a) Trade creditors as at 31 December 2020.	581.93 581.93	589.81 578.49	7.88 3.44	It has been scheduled to complete there conciliation of accounts relating to the differences between files, records and ledger by the year 2021. Accordingly, the difference between the individual balances and the main ledger relating to those accounts would be corrected.	Errors in the Accpac accounting software should be identified and corrected. Balances should tally with the list of individual balances and the creditors transaction report; and, the creditors balance shown in the financial statements should be reconciled.
(b) Hospital charges debtors as at 31 December 2020.	303.67 303.67	357.24 356.68	53.57 53.01	- Do.	Errors in the Accpac accounting software should be identified and corrected. Balances should tally with the list of individual balances and the customer transaction report; and, the debtors balance shown in the financial statements should be reconciled.
(c) Deposits of Hospital charges	10.60	8.66	1.95	- Do	Reasons attributable to the difference should be identified, and necessary adjustments

as at 31  
December  
2020.

should be made  
accordingly.

#### 1.5.4 Lack of Documentary Evidence for Audit

Item	Amount	Audit Evidence Not Furnished	Comment of the Management	Recommendation
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	Rs. Million			
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(a) Sundry deposits.	6.16	Documents to be used in verifying the accuracy of sundry deposit balances continued to exist over 36 years.	Most of those deposits belong to the period 1984-1985. The receipts issued in that era on those deposits had been annexed to the relevant voucher. Those old vouchers have been disposed.	The institutions with which the deposits had been made, should be queried as to the accuracy of deposit balances.
(b) Service charges	0.55	Approval of the Board of Directors enabling to recover only 0.15 per cent of the professional charges as service charges of the Hospital.	Action will be taken to provide the Audit with relevant evidence in the year 2021.	Approval of the Board of Directors should be made available.
(c) Hospital charges debtors and trade creditors as at 31 December 2020.	303.67 581.93	Debtors' and creditors' age analyses prepared by properly disclosing the due period.	- Do.	Debtors' and creditors' age analyses should be made available together with the financial statements.
(d) Refundable tender deposits.	0.80	Schedules and age analysis on the refundable tender deposits.	- Do.	Schedules and age analysis should be made available for the audit.

## 1.6 Accounts Receivable and Payable

## 1.6.1 Funds Payable

Audit Observation	Comment of the Management	Recommendation
As for 16 payable balances totaling Rs. 5.73 million brought forward over periods ranging from 04 to 23 years, action had not been taken either to settle or credit to the revenue of non-liable balances.	As the sum payable to the Water Board is older than 10 years, and that sum is not requested to be settled, action will be taken to eliminate from the accounts. The payable professional charges belong to periods older than 20 years, but the relevant files have been taken into the custody of the investigation team in order to probe into the irregularities taken place in paying the professional charges. The other sundry creditors' balances and performance security bond deposit will be looked into, and action will be taken either to eliminate from the accounts or make necessary adjustments. As the balance of the amount is older than 25 years, it will be eliminated from the accounts.	The payable sums should be settled or recognized as revenue and brought to accounts.

## 1.7 Non-compliances with Laws, Rules, Regulations and Management Decisions

Reference to the Laws, Rules, and Regulations etc.	Non-compliance	Comment of the Management	Recommendation
(a) Chapter II of the Establishments Code of the Democratic Socialist Republic of Sri Lanka.			
(i) Paragraph(s) 2.1 and 2.2 to 2.6.	Schemes of Recruitment should be prepared by including the qualifications required for all the services and grades of the staff, salary scale of the post, age limits and other particulars, thus obtaining approval thereon by following the procedure given in the Establishments Code.	The Scheme of Recruitment, already prepared, will be forwarded to the Department of Management Services through the Line Ministry thus obtaining approval.	Provisions of the Establishments Code of the Democratic Socialist Republic of Sri Lanka should be followed.

Nevertheless, Schemes of Recruitment had not been prepared and approved even by 31 December 2020.

- (ii) Sub-paragraph 5.2.6. The Board of Appointment should comprise 05 officers including the Chairman with at least one member from a Ministry or a Department other than the Ministry or the institution in which the vacancies exist. However, that requirement had not been fulfilled when an appointment to the post of Deputy Director of the General Hospital Board had been made. Appointment to the post of Deputy Director had been made in accordance with the decision of the Board of Directors. A formal inquiry should be held against the officers who violated the provisions of the Establishments Code, and further action should be taken.
- (b) Service Minute of the Sri Lanka Health Service published in the Gazette, dated 11 October 2014. Despite the failure to meet the requirements specified in the Service Minute in promoting from the post of Medical Officer Grade II to the Grade I, an officer employed in the post of Deputy Director in acting capacity had been appointed to the post of Deputy Director with effect from 01 February 2017. Appointment to the post of Deputy Director had been made in accordance with the decision of the Board of Directors. A formal inquiry should be held against the officers who violated the provisions of the Service Minute of the Sri Lanka Health Service, and further action should be taken.
- (c) Treasury Circular, No. 842 dated 19 December 1978. A Register of Fixed Assets had not been maintained as per the provisions of Circular. Preparation of the Register of Fixed Assets has already been commenced. It Provisions of the Treasury Circular should be followed.

is attempted to furnish this Register to the Audit together with the accounts of the year 2021.

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|---------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|
| (d) Section 6.5.1 of the Public Enterprises Circular, No. PED/12, dated 02 June 2003. | The approved financial statements together with a draft annual report should be presented to the Auditor General within a period of 60 days after closure of the year of finance. Nevertheless, the accounts prepared for the financial year of 2020 had been presented on 11 November 2021 after a delay of more than 08 months. | The financial statements for the year 2021 will be presented to the Audit on time.                                                                                                               | Action should be taken in accordance with the Public Enterprises Circular. |
| (e) Government Procurement Guidelines.                                                |                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                  |                                                                            |
| (i) Guideline 6.3.6                                                                   | The proceedings of the bid opening shall be recorded in the prescribed format and should be signed by all members of the Bid Opening Committee. However, it had not been so done when medicines had been purchased.                                                                                                               | The proceedings had been recorded only in 02 of the 03 prescribed format. However, it was practically difficult at that moment to prepare a report containing the bids submitted by the bidders. | Guidelines of the Government Procurement Guidelines should be followed.    |
| (ii) Guideline 8.9.1(b).                                                              | A formal contract agreement should be entered into with respect to any goods or service contract exceeding Rs. 500,000. However, such a contract agreement had not been entered into for                                                                                                                                          | This mistake had taken place owing to the Covid-19 pandemic. Action will be taken to minimize such deficiencies.                                                                                 | Guidelines of the Government Procurement Guidelines should be followed.    |

surgical items purchased in 05 instances during the year under review at a sum of Rs. 24.19 million.

(f) Guidelines for the procurement of medicines and medical equipment – 2007.

(i) Guideline 2.1.

Only the medical equipment with NMRA certificate should be purchased. However, a sum of Rs. 4.78 million had been spent in the year under review to purchase 04 types of surgical equipment which had not been certified by the National Medicines Regulatory Authority.

Following recommendations of the Technical Evaluation Committee, the purchase had been approved subject to obtain the NMRA certificate. However, that certificate had not been given, and approval had been given by the Chairman of the Hospital to purchase those items considering the urgency of heart surgeries.

Guidelines for the procurement of medicines and medical equipment should be followed.

(ii) Guideline 5.2

Except for urgent purchases, the Technical Evaluation Committee should comprise a representative of the Ministry of Health, a representative of the State Pharmaceuticals Corporation, at least 02 consultants with relevant expertise, and a member nominated by the Treasury. However, the Technical Evaluation Committee for the

To appoint members to the Technical Evaluation Committee with such a composition was impractical.

- Do.

purchase of medicines and surgical items comprised a Deputy Director of the Hospital, a consultant with the relevant expertise, and an Assistant Account.

(g) Public Enterprises Circular, No. PED 02/2015 dated 25 May 2015.

(i) Subject to the maximum monthly limit, the value of bills of the officers entitled to communication facilities including the official and residential telephones and fax, personal mobile phones, and internet facilities, should be reimbursed. However, without doing so, the value of maximum monthly limit had been paid as an allowance. Accordingly, the total of the allowance on communication facilities paid to 14 officers for the year 2020, amounted to Rs. 707,000.

Payments will be made as per the Public Enterprises Circular, No. 02/2015 with effect from January 2022.

The Public Enterprises Circular should be followed.

(ii) Without being approved by the Board of Directors, communication

- Do.

- Do.

allowance totaling Rs. 72,000 had been paid during the year under review to 03 officers at Rs. 2,000 per month who had not been entitled as per the Circular.

- (h) Letter, No. DMS/1758 – Vol.1 of the Department of Management Services dated 10 October 2016. Proposals for restructuring the approved cadre should have been prepared and forwarded to the National Salaries and Cadre Commission thereby obtaining approval of the Department of Management Services. However, it had not been so done even by 31 December 2020. Preparing proposals for restructuring the approved cadre has reached the final stage. The proposals will be presented for approval of the Department of Services. Proposals for restructuring the approved cadre should be presented to the Department of Management Services for approval.

## 2. Financial Review

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### 2.1 Financial Results

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The operating result of the year under review was a profit of Rs. 173.8 million as against the loss of Rs. 108.27 million in the preceding year. As such, an improvement of Rs. 282.07 million was observed in the financial result. Although the expenditure of the year under review had increased by Rs. 60.07 million, the revenue had increased by Rs. 342.14 million thus causing the said improvement.

## 3. Operating Review

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### 3.1 Management Inefficiencies

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	Audit Observation	Comment of the Management	Recommendation
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(a)	It was observed as per the deed of the land where the General Hospital Board had been established that the total extent	As per the instructions of the Attorney General, the Senior Superintendent of Survey, Colombo district	By following the instructions of the Attorney General, action should be taken

of the land under 03 plans certified by the Surveyor General in the years 1981 and 1983, was 10.0229 hectares. The extent of 9.9469 hectares relating to one of those plans had been resurveyed by the Surveyor General in the year 2015. Despite being identified and reported by the Surveyor General that the extent of land used by the Board as at that date was only 9.8047 hectares whilst an extent of 0.1422 hectares had been encroached at 09 locations, no legal action had been taken in that connection since the year 2015.

will be queried in case a certain extent of the land had been omitted in preparing the plan thus surveying the land again if necessary, and action will be taken in terms of State Lands (Recovery Of Possession) Act, No. 7 of 1979 on the encroached land in extent of 0.1422 hectares.

to settle the rights to the land of the General Hospital Board.

- (b) According to a project proposal of the then Ministry of Youth Affairs and Skills Development, the General Hospital Board had entered into an agreement with the said Ministry on 09 May 2013 and established the University College of Health Studies with the objective of establishing technical training programs in the health sector. Although the agreement had expired by May 2016, the Board of Directors had decided to continue the University College for the sake of students who had not completed the courses; and, it had been expected that financial provision up to Rs. 3.8 million be provided for the University College following instructions of the Minister of Health, and those funds be reimbursed through the then Ministry of Health, Nutrition and Indigenous Medicine, but the sum of Rs. 8.94 million incurred by the Hospital from the year
- The administrative authority of the Hospital is taking maximum efforts to recover the dues by exchanging letters with the Ministry.
- Action should be taken to reimburse the expenditure incurred on the University College.

2016 up to the end of the year 2019 could not be reimbursed even by 31 December 2021.

- (c) It had been identified that the General Hospital Board had spent a sum of Rs. 581,418 monthly as overhead costs on the surgeries and tests performed by the Consultants after their normal duty hours. However, given the fact that only a service charge of 0.15 per cent of the professional charges on those surgeries and tests had been recovered, a service charge totaling Rs. 546,035 had only been recovered out of the professional charges of Rs. 363.17 million paid in the year under review. Although proposals had been presented to the Board of Directors on 25 September 2019 relating to the increase of service charges, increasing the service charge in relation to the actual cost incurred could not be done thus far.
- An amount equivalent to 10 per cent is recovered as profit from the patients of the normal wards, but that percentage is 30 per cent for the patients of the paying wards. As such, the Hospital receives a higher revenue in terms of hospital charges, medicines, consumables, and fees on surgeries and tests; in addition to that, 0.15 per cent of the professional charges is recovered. The said professional charge is only an administrative fee.
- The percentage charged on professional charges as the service fee of the Hospital should be revised, and action should be taken to obtain a formal approval thereon.
- (d) A Medical Officer who had officiated in the capacity of Deputy Director of the General Hospital Board, had received a scholarship for foreign training at the Oxford University of United Kingdom under no pay leave from 30 May 2018 to 11 July 2019. Without considering the legality of the General Hospital Board paying the allowance to the Medical Officer relating to her post graduate studies, and despite the fact that the foreign scholarship application presented by her had been rejected by the Ministry of
- After her return, she served to the Hospital until she resigned on 17 June 2021. Although she resigned from the Sri Jayawardhanapura General Hospital, the bond signed on the scholarship was transferred to the Ministry of Higher Education, and hence, the conditions thereof are still in effect.
- A formal inquiry should be held and further action should be taken against the officers who had decided to pay a personal maintenance allowance and full-pay leave allowing her to proceed abroad for the scholarship by disregarding her foreign scholarship application being rejected by the Ministry of Health.

Health, the Board of Directors had decided to grant her full-pay leave for 02 years and pay a personal maintenance allowance. Hence, the sum of Rs. 5.80 million paid as personal maintenance allowance, could not be reimbursed from the Ministry of Health. As such, the said amount and the sum of Rs. 3.79 million paid as salary had become a burden of expenditure for the Hospital.

### 3.2 Operating Inefficiencies

----- Audit Observation -----	----- Comment of the Management -----	----- Recommendation -----
(a) Without obtaining Cabinet approval and Treasury approval for receiving foreign funds for the project, a sum of Rs. 5.76 million inclusive of Value Added Tax had been paid as consultancy fees to the State Engineering Corporation on 08 April 2017 for the preliminary works relating to the construction of a six storied paying ward complex. Nevertheless, the Board of Directors had decided to remove that project from the Action Plan prepared for the years 2020 and 2021. As such, implementation of this project in due course is doubtful, thus observing that the expenditure of Rs. 5.76 million already incurred, would become uneconomic.	It is expected to implement the project with the receipt of financial provision. Hence, the sum paid on preliminary works would not be futile.	In case the said amount becomes uneconomic, the sum should be recovered from the officers responsible for paying Rs. 5.76 million as consultancy fees without obtaining Cabinet approval and Treasury approval for the receipt of foreign funds.
(b) The Central Engineering Consultancy Bureau had been paid a sum of Rs. 2.97 million in the year 2018 as consultancy fees for the solar energy panels	Taking into account the financial position of the Government, the Board of Directors had decided to suspend the solar energy	In case the said amount becomes uneconomic, that sum should be recovered from the officers

project of the General Hospital Board. A sum of Rs. 372,803 had still remained payable as at 31 December 2020. However, the Board of Directors had decided to remove that project from the Action Plan prepared for the years 2020 and 2021. As such, implementation of this project in due course is doubtful, thus observing that the expenditure of Rs. 2.97 million already incurred, would become uneconomic.

project, thus removing the project from the Action Plan for the years 2020 and 2021. It is expected to implement the project with the receipt of financial provision. Hence, the sum paid on preliminary works would not be futile.

responsible for paying a sum of Rs. 2.97 million as consultancy fees sans a proper plan.

- (c) A sample audit test revealed instances in which failures had occurred in updating the differences in the accounting system following the exchange of information between the stock control system and the accounting software of the General Hospital Board. As such, it was not satisfactory as to whether the actual values of sales cost, creditors, debtors, and hospital charges revenue maintained in the accounting software were represented in the financial statements. The reasons such as, failure to update the computer systems of the Hospital, failure to establish system links, and lack of authority relating to the input, inspection and approval of data in the system, were observed to have been attributable to that situation. Furthermore, once the data required for preparing the financial statements was collected, the facility to amend the reports maintained in the system should have been locked, but it was not so done.
- Approval has been given by the Board of Directors to appoint an IT consultant to provide instructions on such issues including corrective measures. Following the report containing his observations, action will be taken to minimize inconsistencies between the two systems.
- Action should be taken to correct the deficiencies observed in the accounting software.

### 3.3 Idle or Underutilized Property, Plant and Equipment

Audit Observation	Comment of the Management	Recommendation
A sum totaling Rs. 21.56 million had been spent during 2016-2019 to purchase a computer software for establishing an electronic document management system in order to facilitate data scanning, social media interaction, and computation of staff allowances. Nevertheless, the software had not been made use of for achieving those objectives even up to 31 December 2020. As such, the cost incurred thereon had become uneconomic.	The process for updating the computer software of the Hospital was commenced from 01 December 2021, and scanning the Bed Head Tickets was a part thereof. As such, the sum of Rs. 21.56 million incurred on scanning the Bed Head Tickets was not uneconomic.	Prompt action should be taken to make use of the software for its intended purpose.

### 3.4 Procurement Management

Audit Observation	Comment of the Management	Recommendation
Increase of prices could not be approved as per the conditions of the tender, but having disregarded that, 570,000 units of SUCOD 160 Disposable Examination Gloves (Small) Lalan and 730,000 units of SUCOD 159, Disposable Examination Gloves (Medium) Lalan had been purchased each overpriced by Rs. 6 and costing Rs. 11. Thus, an overpayment of Rs. 3.78 million had been made.	Despite being stated that increase in prices would not be approved as per tender conditions, the demand for Disposable Examination Gloves was increased manifold in the wake of Covid-19 pandemic. As such, the request of the only supplier in Sri Lanka had to be taken into consideration in view of maintaining the patient care services. The said increase in price had also been approved by the Procurement Committee.	The overpaid amount should be recovered from the officers who violated the tender conditions.

### 3.5 Human Resource Management

Audit Observation	Comment of the Management	Recommendation
Without being approved by the Department of Management Services, 251 officers had been recruited to 03 posts in excess of the approved number of posts. Furthermore, 10 officers had	Those recruitments were made on the approval of the Board of Directors. All those designations would be covered once the proposed Scheme of Recruitment is approved by the	Action should be taken to obtain approval of the Department of Management Services relating to those recruitments.

been appointed to 05 posts which Department of Management  
had not been in the approved Services in due course.  
cadre of the Board.