

Wijaya Kumaratunga Memorial Hospital Board - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Wijaya Kumaratunga Memorial Hospital Board for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the accompanying the financial statements give a true and fair view of the financial position of the Hospital Board as at 31 December 2021, 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

My opinion is qualified 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

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 determine 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 annual and periodic financial statements to be prepared of the Hospital Board.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, 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 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 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 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 Financial Statements

1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

The following observation is made.

Audit Observation	Comment of the Management	Recommendation
As the useful life of non-current assets costing Rs. 218,607,966 had not been annually reviewed in terms of Paragraph 65 of Sri Lanka Public Sector Accounting Standards 07, they were in further use despite being fully depreciated. Nevertheless, action had not been taken to revise the estimation error on the useful life of those assets and state correct carrying amount in the financial statements in terms of Sri Lanka Public Sector Accounting Standards 03.	That the Board of Survey Division of the Ministry of Health has been informed in the year 2020 to carry out revaluation of these assets, it has been found difficult to deploy the officers for this purpose due to the Covid pandemic situation prevailed in the country and the current crisis situation, it has been difficult to involve the officers who have knowledge of medical equipment and that action will be taken regarding this matter in due course.	Action should be taken in accordance with Sri Lanka Public Sector Accounting Standards.

1.5.2 Accounting Deficiencies

The following observation is made.

Audit Observation	Comment of the Management	Recommendation
Due to an error in the classification of assets, the depreciation expenditure related to those assets for the year had been overstated by Rs.148,000 and as such, the surplus of the year had been understated by that amount in the financial statements.	Action will be taken to correct this error in the year 2022.	This error should be rectified.

1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following observations are made.

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comment of the Management	Recommendation
(a) Section 07 of the Wijaya Kumaratunga Memorial Hospital Board Act, No.38 of 1999.	Action had not been taken as of 31May2022 to vest the land located at Seeduwain the Hospital Board which has been specifically stated in the Scheduleof theHospital Board Act.	That the approval of the Board of Directors has been received to vest in the Hospital Board the ownership of the land stated in the Hospital Board Act, accordingly relevant letters have been handed over to the attorney-at-laws for land vesting activities, a letter of expression of consent of the Wijaya Kumaratunga Memorial Hospital Board has been requested for this vesting on legal purposes, the Board of Directors has decided to obtain that letter immediately after the return of the Chairman of the hospital who has gone abroad and that the relevant acquisition will be carried out with soon after the receipt of that letter.	As specified in the Act, action should be tasked to vest the ownership of the land in the Hospital Board expeditiously.
(b) Section 9.3.1 of the Public Enterprises Circular No.PED/12 dated 02 June 2003.	Even though schemes of recruitments and promotions should be prepared for the posts in the approved cadre and approval of the Department of Management Services should be obtained therefor, schemes of recruitments and promotions had not been formulatedeven by 31 December 2021.	That the expenditure to be incurred for the preparation of scheme of recruitment is very high, it is unaffordable to the hospital at this juncture, and that the Board of Directors has decided to obtain a copy of the scheme of recruitment being prepared in the Jayawadenapura Hospital on its completion and to adjust it to suit to the Wijaya Kumaratunga Memorial Hospital Board.	Public Enterprises Circulars should be followed.

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| (c) | Management Service Circular No. 02/2020 dated 26 October 2020 and No. 01/2020 dated 21 February 2020. | Although the approval of the Department of Management Services is not required to fill up the vacancies in the approved posts only if the scheme of recruitments have been prepared and approval has been obtained from the relevant parties, 25 officers had been recruited on permanent and casual basis for 06 posts without obtaining approval from the Department of Management Services despite not being prepared schemes of recruitment for the hospital staff. | That employees have been recruited for the vacancies of the hospital after the cadre was approved by the Department of Management Services, though there is no scheme of recruitment for the hospital at present, and it is not necessary to seek approval from the Department of Management Services repeatedly to make recruitments for those vacancies. | Not only for getting approval for the posts in accordance with Management Services Circulars, but approval from that Department should also be obtained to fill vacancies in the posts. |
| (d) | General circular letters No. 02-84/2006 dated 10 May 2006 and No. 02-117/2001 dated 30 October 2001 issued by the Director General of Health Services. | Although demonstration allowances can be paid for the tests performed outside the duty hours, contrary to that, a sum of Rs. 45,550 had been paid to 10 officers only up on the approval of the Board of Directors for the tests performed during the normal duty hours. | This payment was made with effect from July 2021 on a decision of the Board of Directors and the payment has been again suspended on a decision of the Board of Directors from 01 October 2021. | Action should be taken in accordance with the General Circular of the Director General of Health Services. |

2. Financial Review

2.1 Financial Results

The operating result of the year under review amounted to a surplus of Rs.6,414,950 and the corresponding deficit in the preceding year amounted to Rs.73,706,951. Therefore an improvement amounting to Rs.80,121,901 of the financial result was observed. The main reason for the improvement was increase in the receipt of government recurrent grants and other income by Rs. 64,308,379 during the year under review.

3. Operating Review

3.1 Human Resource Management

The following observations are made

Audit Observation	Comment of the Management	Recommendation
(a) Without approval of the Department of Management Services and in excess of the approved cadre, an officer had been recruited to the post of Registered Medical Officer on 15 December 2017. Similarly, without being taken action to recruit officers on permanent basis for 04 approved posts, 05 officers had been recruited on contract basis.	Although the number of medical officers that should serve in the hospital is 28, the actual number is 19; that attempt was made to recruit medical officers by publishing newspaper advertisements, but qualified medical officers did not forward applications; that one registered medical officer had to be recruited in excess of the approved number of registered medical officers to ensure continuous patient care services; efforts were made to recruit qualified and experienced officers to the vacancies of the hospital on permanent basis, but due to lack of officers who had fulfilled those requirements, the retired officers with relevant qualifications and experience had to be recruited on contract basis; these steps have to be taken to ensure continuous patient care services and administrative affairs of the hospital, and the qualified officers in the hospital are being trained to promote to these posts.	Approval of the Department of Management Services should be obtained to create new posts. Further, efforts should be made to recruit officers on permanent basis.
(b) A new post called Secretary of the Board of Directors that is not included in the approved cadre of the Hospital Board had been created without approval of the Department of Management Services and a sum of Rs. 965,000 had been paid as allowances for that posts for 27 months from September 2019 to 31 December 2021.	This is economically favourable than to get approval and make recruitment for a post of Secretary of the Board of Directors on permanent basis, there is no duty to perform daily on fulltime basis thus recruiting an officer to the hospital, only coordination of Board of Directors meetings and keeping relevant records are done by this officer, and that the recruitment has been made up on a decision of the Board of Directors.	Approval of the Department of Management Services should be obtained to create new posts to the hospital staff and no action should be taken to make recruitments or make payments without obtaining such approval.