

Lanka Hospital Diagnostics (Pvt) Ltd - 2022

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Lanka Hospitals Diagnostics (Pvt) Ltd (“Company”) for the year ended 31 December 2022 comprising the statement of financial positions at 31 December 2022 and the income statement, statement of Profit or loss and other comprehensive income, 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. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Opinion

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 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 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 Company’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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Company 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 Company.

1.3 Audit Scope

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 Company'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 Company'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 Company 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 Company and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Company has complied with applicable written law, or other general or special directions issued by the governing body of the Company ;
- Whether the Company has performed according to its powers, functions and duties; and
- Whether the resources of the Company had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.4 Accounts Receivable and Payable

1.4.1 Accounts Receivable

Audit Issue	Management Comment	Recommendation
Balances valued at Rs.3,019,721 due from 02 hospitals and a one institution had been written off and it was observed that the files inclusive of medical recommendations had been misplaced in relation to the written off balances of Rs.1,768,566 receivable from the government hospitals for the laboratory tests.	After continuous follow-up to recover the payment we realized that the recoverability of the dues was not realistic due to unavailability of written requests made by those two Govt. Hospitals. Hence, these balances were written off after getting board approval.	Records should be maintained to ensure non-payment of bills submitted to government hospitals

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a profit of Rs.609 460,389 and the corresponding profit in the preceding year amounted to Rs.1,174,153,479. Therefore deterioration amounting to Rs.564 693,090 of the financial result was observed. The reasons for the deterioration are the operational revenue had decreased by Rs.586, 091,127.

2.2 Trend Analysis of income

Audit Issue	Management Comment	Recommendation
The revenue of the Lanka Hospital Diagnostic Ltd. for the year under review amounted to Rs.2,740,465,798 observing a 17 percent decrease in the revenue compared to the preceding year. Furthermore, the profit after the tax deduction for the year was Rs.584,848,584 representing a 45 percent decrease compared to the preceding year. Even though a decrease is observed in the revenue earned from the operating activities of the company, the interest income on the fixed deposits had increased by 791 percent compared to the preceding year. Accordingly, it was observed that the aforementioned decrease had not contributed to decrease of the profit for the year under review.	2021 was an exceptional year since entire country impacted with COVID pandemic. This pandemic situation created a new opportunity to earn extraordinary revenue income to the company through COVID testing and which was not replicated in same magnitude in 2022. This extraordinary revenue earned in 2021 resulted to perform better result in 2021 than the year 2022.	should be generating income increase through activities related to the purpose of the company.

3. Human Resources Management

Audit Issue	Management Comment	Recommendation
A shortage of 83 numbers of actual staff was observed with compared to the approved carder. Out of 83 of the available vacancies 19 vacancies are in Medical Technologist and 42 in the Phlebotomist carder.	Shortages have occurred mainly in the medical areas due to lack of availability of trained and skilled candidates.	Approved carder should be reviewed periodically and should make necessary amendments.