

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Jayewardenepura General Hospital Board for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 material accounting policies 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 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 financial statements give a true and fair view of the financial position of the Board as at 31 December 2023, and of its financial performance and its 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 Board 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 Section 16(1) of the National Audit Act No.19 of 2018, it 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

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 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 had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on Preparation of Financial Statements

1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standard

Non-compliance with reference to the relevant Standard	Comments of the Management	Recommendation
(a) As per the paragraph 48 of the Sri Lanka Public Sector Accounting Standard 1, although assets and liabilities and revenues and expenses should not be set off except when required or permitted by the standard, the credit balance of Rs.1.71 million in the hospital fee debtor accounts from the debit balance of the hospital fee debtor accounts, and the debit balance of Rs.2.2 million in trade debtors from the credit balance of trade creditors had been set off and stated in the financial statement. Although the facts regarding this were disclosed also in the previous year, necessary corrections had not been done.	That these debit balances and credit balances have been set off for corrections made in respect of debtors and creditors and, that they will be corrected in the preparation of accounts for the year 2024.	Sri Lanka Public Sector Accounting Standard should be followed.
(b) As per the paragraph 47 of the Sri Lanka Public Sector Accounting Standard 3, although the first set of financial statements approved for issue after finding the quantitative prior-period errors should be corrected retrospectively by restating the comparative values presented for the period in which the error occurred, the balance of Rs.205.26 million as adjustments for the previous	That, it will be presented according to the procedure mentioned in the submission of the accounts for the year 2024.	-do-

year had been adjusted to the carried forward accumulated deficit without acting accordingly.

- (c) Due to non-annual review of effective lifetime for non-current assets as per paragraph 65 of the Sri Lanka Public Sector Accounting Standards 7, although the fixed assets at a cost of Rs.4,347.17 million have been fully depreciated, it is being further utilized. The estimated error arose accordingly had not been revised in accordance with the Sri Lanka Public Sector Accounting Standard 3.
- That, the review and revaluation of medical equipment is currently underway and, listing and assessing of those items has been commenced.

1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) Although the total area of the hospital land is 10.0229 hectares, out of which only 9.8047 hectares were revalued for Rs.4,845.5 million in 2022 and 0.2182 hectares had not been revalued.	Since the land belongs to this hospital seems belonging to the Urban Development Authority, the land will be revalued after the completion of the entire acquisition process.	The entire land should be revalued.
(b) Instead of adjusting the values of the debits and credits notes of Rs.4.95 million and Rs.31.12 million respectively made for correcting the errors in the hospital bills of the year under review in the related income accounts, the difference of Rs.26.17 million in those balances had been stated under various expenses as income adjustment. As a result, the income and expenditure of the financial statements had been overstated by that amount.	That the presentation error and it will be corrected in the future.	Action should be taken to rectify the error.
(c) Instead of adjusting the values of the debits and credits notes of Rs.4.95 million and Rs.31.12 million respectively made for correcting the errors in the hospital bills of the year under review in the related income accounts, the difference of Rs.26.17 million in those balances had been stated under various	That the overstated of bond income will be corrected in the year 2024 and that the bond account was debited and the accumulated profit and loss account was credited in order to deduct the salary expenses related to the previous years	-do-

- expenses as income adjustment. As a result, the income and expenditure of the financial statements had been overstated by that amount.
- contained in the bond amount to be charged in the year 2023 from the income of the current year.
- (d) The General Hospital Board did not identify a specific and proper method of accounting for charge and repayment of professional fees during the year under review and Rs.653.93millions of professional fee income was credited to professional fee payable account and Rs.623.94 million professional fee that was paid in cash during the year under review had been debited to that account. Rs.62.84 million had been credited to the professional fees payable account from the hospital fee income account as hospital charges and professional fees for the patients leaving the hospital on the basis of credit letter related to the month of December 2023. The action had not been taken to settle the balance of Rs.3.62 million in the professional fee payable account from 1998also during the year under review and although there was a further professional fee payable balance of Rs.27.72 million in that account, the evidence to confirm that balance had not been submitted to the audit.
- That the professional fees have been included in the hospital bill from October 2022, that the payable amount from 1998 will be removed from the accounts in the future and the details related to the professional fees payables in the year 2023 will be provided.
- A policy regarding the charges and repayments of professional fees should be formulated and the charges and payments should be shown in the financial statementsaccordingly.
- (e) Although a total provision of Rs.34.03 million was made for expired medicines in the previous year and the year under review as Rs.9.89 million and Rs.24.14 million respectively, the hospital had not identify an accounting policy regarding the provisions related to expired medicines and disclose it in the financial statements.
- A procedure of provision for expired medicines will be disclosed in the financial statements.
- Accounting policy on expired medicines should be disclosed.
- (f) Due to non-adjustment of electricity and water bill value of Rs.39.89 million for the month of December of the year under review as accrual expenditure, the profit of the year had been overstated by that amount and the current liability had been
- Relevant corrections have been made in the year 2024.
- Action should be taken to rectify this error.

understated.

- (g) Due to Rs.2.17 million related to the year 2024 out of the service amount paid for the period 01 October 2023 to 30 September 2024 according to the Incenerator Service Agreement was accounted as an expense of the year without being identified as pre payments, the profit for the year and current assets had been understated by that amount. It will be corrected in year -do- 2024.
- (h) Without preparing journal vouchers for rectifying errors made in trade creditors and trade debtors balances on the reasons such as not updating the withdrawals of good received notes (GRN) in the Systolic system in the Accounting System (Accpac), good received notes are recorded twice in the accounting computer system and the values have been recorded with changes, even though the payment is made from the accounting computer system, the payments are not adjusted to the individual creditor balances, fines and penalties are not adjusted in the individual creditor balance and non-adjustment of cash receipts in respect of individual debtor balances, the net balance of Rs.22.73 million as on 31 December 2023 had been adjusted to the accumulated profit and loss account through debit and credit notes. That any corrections in the -do- accounting computer system can be made only through debit and credit notes and that the settlement of creditor and debtor balances cannot be done by preparing journal vouchers.
- (i) According to the debtor accounting policy, although 05 percent provision should be made according to the accepted procedure for bad debts, due to the overprovision of Rs.6.3 million in non-compliance with it, the profit of the year under review had been reduced by that amount. Action will be taken to rectify it in year 2024. Action should be taken to rectify this error.

- (j) Mobilization advance of Rs.7.11 million paid for the construction of the workshop building had been stated as capital working progress in the financial statements rather than as advance. That this is a presentation error and action will be taken to rectify in the accounts for the year 2024. -do-
- (k) Since the total amount of Rs.3.12 million of medical equipment, furniture and fittings received as donations in the year under review was stated as a creditor balance instead of crediting it to the donation account, donation had been understated by that amount. That it will be corrected in year 2024. -do-

1.5.3 Unreconciled Control Accounts and Reports

Audit Observation	Comments of the Management	Recommendation
There was a difference of Rs.56.77 million between the amount according to the financial statements and the amount according to the files and documents submitted for the audit in respect of 03 subjects named creditors, hospital fee debtors and pathology laboratory advances as of 31 December 2023 and the reasons for the difference had not been submitted.	The reasons for these differences will be investigated and corrected and the relevant officers have been instructed not to make such errors in the future.	The data contained in the financial statements should be matched with the relevant schedules, lists and computer records.

1.5.4 Written Evidences not made available for Audit

Audit Observation	Comments of the Management	Recommendation
Due to non-submission of age analysis, board approval and source documents etc. regarding 03 subjects totalled to Rs.1,899.55 million named creditors, hospital fee debtors and service charges accounts as on 31 December 2023, those were not satisfactorily verified or vouched or accepted during the audit.	That the debtor and creditor age analysis available according to the accounting system has been provided for audit and, that the standard models cannot be changed as there is no relevant source code for the system and, that it has become difficult to find the decision of the Board of Directors and, that the Board of Directors have again decided to charge only 0.15 percent	Age analysis, source documents and board approval should be submitted for audit.

from the professional fees as hospital service fees.

1.6 Receivable and Payable Accounts

1.6.1 Receivables

Audit Observation	Comments of the Management	Recommendation
(a) The recovery of bonds amounting to Rs.43.22 million from 26 officers who had left the service without paying bonds by violation of agreements during the year under review and in the period of 01 year to 05 years was in slow condition.	Legal action has been taken by informing the Legal Officer to recover the bonds as per the agreement of the nursing officers who have breached the agreements.	Action should be taken to recover the amount due immediately.
(b) The total distress loan balance of Rs.5.68 million to be recovered from the employees who have been interdicted, left the service and gone abroad has not yet been recovered and Rs.5.12 millions of this amount was the balance for a period of 02 to 07 years.	That the information about the loan balances to be recovered will be obtained from the guarantors or cases will be filed against those who are unable to do so.	-do-

1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Non-Compliance Laws, Rules, Regulations etc.	Comments of the Management	Recommendation	
(a) Sections 2.1 and 2.2 to 2.6 of Chapter II of the Establishments Code of the Democratic Socialist Republic of Sri Lanka	Although the recruitment procedure should be prepared by including the required qualifications, salary scale of the post, age limit and other relevant details for the posts of all the services and grades of the cadre and the relevant approval for the said procedures should be obtained following the procedures specified in the Establishment Code, the recruitment procedures had not been prepared and approval had not been obtained up to now.	Since it was observed that there were differences in the names and salary codes of these posts while approving the recruitment procedures, the salary codes were corrected and sent to the Department of Management Services with the approval of the Board of Directors and, the committee appointed to prepare the recruitment procedures has already prepared the draft recruitment procedures by now.	It should be act as per the provisions stated in Establishment Code of the Democratic Socialist Republic of Sri Lanka.

- (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka
- (i) Sections 103 and 104 of the Finance Regulations
- Although the investigations should be conducted to determine those who responsible regarding the losses caused by vehicle accidents, actions had not been taken to identify the responsible parties regarding the vehicle accidents of the hospital as per the Financial Regulations.
- Investigations are being carried out to identify the parties who responsible regarding the vehicle accidents.
- Action should be taken in accordance with the financial regulations of the Democratic Socialist Republic of Sri Lanka.
- (ii) Financial Regulation 110
- Although every institution is required to maintain a damage register in accordance with the format submitted for reporting the damage caused, a damage register prepared in the proper format had not been maintained regarding the hospital vehicles.
- That the actions are underway to open the damage register in terms of F.R. 110.
- Action should be taken in accordance with the financial regulations of the Democratic Socialist Republic of Sri Lanka.
- (iii) Financial Regulation 1642
- Although all accidents caused by the officers using the vehicles of the institute or the drivers of those vehicles in their absence should be reported to the police, action had not been taken accordingly.
- Although some vehicle accidents have been reported to the police, the relevant files have not been submitted to the audit by omission and that all vehicle accidents are being reported to the police by now.
- Action should be taken in accordance with the financial regulations of the Democratic Socialist Republic of Sri Lanka.
- (c) Treasury Circular No.842 of 19December 1978
- Fixed asset register had not been maintained.
- That a fixed assets register is being prepared and the revaluation of biomedical equipment is being carried out.
- Action should be taken in accordance with treasury circulars.
- (d) Letter No.DMS/1758-Vol.1 dated 10 October 2016 of Department of Management Services
- Although the proposals to restructure the approved cadre should be prepared and forwarded to the National Salaries and Cadre Commission and the approval of the Department of Management Services should be obtained,
- That the 61 pay scales have been sent to the Ministry of Health for sending to the Department of Management Services with the approval of the Board of Directors and, draft recruitment procedures for the remaining 13 pay
- Action should be taken in accordance with the letter of Management Services Department

action had not been taken accordingly.

scales have been prepared and as soon as the Board approvals are received, recommendations will be made and sent to the Department of Management Services.

2. Financial Review

2.1 Financial Results

Operating result of the year under review was a profit of Rs.303.77 million and correspondingly previous year profit was Rs.247.23 million. Accordingly, a growth of Rs.56.54 million was observed in the financial result. This growth had been mainly due to the increase in the revenue of the year under review by Rs.943.51.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) The hospital had charged 15 percent tax from the bills of the patients as value added tax for room charges of the paying wards from October 2022. The following facts were revealed in this regard.		
(i) The quarterly reports as per Section 21 of Chapter 3 of the Value Added Tax Act, No.14 of 2002 regarding Rs.21.21 million charged as VAT from October 2022 to the end of the year under review had not been submitted to the Inland Revenue Department.	Instructions have been given to the relevant officers to submit the relevant quarterly reports to the Department of Inland Revenue.	Action should be taken in accordance with the Value Added Tax Act No.14 of 2002.
(ii) Although the Value Added Tax was levied only on room charges in the hospital paying wards, the entire amount of tax collected had been offset to paid taxes without offsetting only the VAT paid relevant to that income according to the provisions of the Act.	Although VAT is levied only on the room charges of the hospital, since it is a difficult task to identify the expenses related to those rooms separately, that the entire amount of tax collected had been offset to paid taxes.	-do-
(iii) Although an appeal was filed by the Department of Inland Revenue regarding the total fine of Rs.5.2 million imposed for non-compliance with	It will be looked into the matter and informed the Audit Division as soon as	-do-

Section 26 of the Act in the years 2016, 2017 and 2018, the information that the fine was released was not submitted to the audit. possible.

- (b) The amount paid to the medical and other staff as professional fees in relation to the paying wards and income received by the hospital from those wards during the years 2021, 2022 and 2023 had been Rs.648.3 million, 857.5 million and 1,111.6 million respectively and following facts were revealed in this regard.
- (i) The charges to be charged for surgeries and tests carried out outside of duty hours using the resources of the hospital had been determined at the discretion of specialist doctors without any standard or specific policy. Accordingly, according to the sample audit conducted in the year 2023, professional fees had been charged in the range of 24 percent to 89 percent of the bill value. That a committee has been constituted by the Board of Directors to regulate the professional fees as per the decision of the relevant Cabinet and action will be taken according to that report of the Committee in the future. A charging procedure prepared as per standard standards for surgeries and tests performed outside of duty hours should be implemented.
- (ii) Professional allowances were also charged during the period when the medical officers received the leave allowances and according to the sample audit, the amount charged as such professional allowance by 07 medical officers during the year under review was Rs.1.52 million. In order to prevent recurrence of such mistakes, a direct coordination system has been adopted between the Operation Theatre, The Control Division and the Accounts Division to conduct a formal inspection before payment. This money should be credited to the hospital's income.
- (iii) In terms of the Cabinet Decision No.CP/1984/335(2) dated 18 July 1984 and the Decision of the Board of Directors dated 15 November 2000, although professional fees cannot be charged for surgeries performed for patients in paying wards during normal working hours, as per the sample audit conducted during the year under review, the amount charged as such professional fee was Rs.4.91 million. A system of direct coordination between the Operation Theatre and the Accounts Division has been developed and these activities have been started to be regulated. Action should be taken according to the Cabinet decision and the decision of the Board of Directors.
- (iv) Rs.60.73 million had been paid as professional fees in the year 2023 for the assistant medical officers and other staff on the decision of the Board of Directors. That the Board of Directors has appointed a committee to regulate Cabinet approval should be obtained.

- Board of Directors without the Cabinet approval. professional fees and it will be act on the report of the committee in the future.
- (v) The 08 external doctors who were not in the hospital staff performed surgeries using the resources of the hospital and charged total Rs.11.98 million from the patients as professional fees in the year under review without proper approval or by reaching a formal agreement to employ in the hospital and to charge professional fee, out of which only 0.15percent service fee had been paid to the hospital. Although service charges are charged as a management expense, other expenses incurred will be recovered from the patient with a profit margin of 30 percent and such doctors can admit patients only under the supervision of a permanent specialist in the hospital. Appropriate approval should be obtained while obtaining the services of external doctors and an agreement of responsibility should be reached.
- (vi) The total service charge credited to the income of the board was only Rs.945,345 out of which, Rs.601.74 million of total professional fees paid to the staff during the year 2023. A decision of the Board of Directors to implement the scheme of charging only 0.15 percent of the service fee which has been in force since 1999 was not submitted to the audit and the hospital administration had not taken necessary changes in a timely manner. That, it has become difficult to find the decision of the Board of Directors, the Board of Directors has been informed about the charging of only 0.15 percent of the professional fees for the hospital service fee and the Board has decided to keep the fees at the same level. A system to recover administrative expenses incurred by the hospital for professional fees should be made.
- (vii) On the basis of the Inland Revenue Department Circular No.SEC/2022/E/03 dated 22 December 2022 as per the Decision of the Board of Directors No.S.B.M. 1.4 of 08 June 2023,by charging only 05 percent withholding tax from January 2023 on the professional fees paid more than Rs.100,000 without deduction of PAYE tax on the professional fees paid by the hospital to the medical and other staff had been remitted to the Department of Inland Revenue. However, according to the report submitted by the Tax Appeals Commission on 10 April 2024 in related to an appeal of the hospital, the hospital was informed that PAYE tax should be paid when earning on professional fees. Accordingly, for the period from 2013/2014 to December 2023, According to the decision of the Board of Directors, action will be taken to streamline the charging of taxes on the earnings on professional fees. Action should be taken in accordance with the decision of the Tax Appeals Commission.

although the PAYE tax on the professional fees paid to the medical and other staff of the hospital should be calculated and remit to the Inland Revenue Department immediately, action had not been taken accordingly.

- (c) The Cabinet Decision No.96/1347/120/143 dated 17 July 1996 had decided to maintain the salary gap between the various grades of Sri Jayewardenepura Hospital and parallel grades of the Ministry of Health or parallel posts in other departments at 35 percent as a general policy. On the basis of this salary increase, it had been decided to add 35 percent increase to the rate mentioned in the circular for additional duty allowances and overtime allowances paid to the officers of medical, nursing and paramedical services under the General Circular of the Ministry of Health with effect from 01 January 2018 by the decision of the Board of Directors dated 15 March 2018. Accordingly, the staff of the medical, nursing and paramedical service in the hospital had been paid Rs.168.43 million, Rs.162.47 million and Rs.158.07 million in 2021, 2022 and 2023 respectively by adding 35 percent to the additional duty and overtime allowance set at a higher rate than the allowance provided in the circular. Information was not submitted to the audit that the approval of the Cabinet or the Treasury had been obtained in this regard.
- That the Board of Directors decided to collect and pay 35% of the additional duty allowances and overtime allowances paid to the officers of the Medical, Nursing and Paramedical Service in 2018 under the General Circulars of the Ministry of Health in accordance with the powers vested in the Hospital Board under Section 2(C) of Paragraph 07 of the Sri Jayewardenepura General Hospitals Act.
- Action should be taken to obtain the approval of the relevant authority.
- (d) Due to the changes in the existing hospital fee bills and stock related (Systolic) computer system of the General Hospital Board after the inclusion of information in the Accounting Computer System (Accpac) are non-updating in the accounting system, as changes in the values of the items of cost of purchase, creditors, debtors and revenue from hospital fee in the system, as well as due to changes in the balance of the items on different days in the same system (Systolic) was observed, it was a fact of controversial nature that the correct value of those items was presented in the financial statement. This was due to the lack of a system link between the existing computer systems in the hospital and the procedures related to the entry, testing and approval of data in the
- That the action will be taken to inform the relevant institution about this problem in the Systolic system and to look into the change in the collection of current reports at a later date with the relevant institution.
- Actions should be made to establish a mutual relationship between computer systems and to implement procedures related to data entry, testing and approval under the appropriate authority.

computer system and were not carried out under the proper authority.

3.2 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) The following facts were revealed during the audit of the progress of charging money for the hospital bills of the patients.		
(i) Hospital charges of some patients had been exempted from payment on the approval of the top management without the approval of the Board of Directors and without any specific basis. Accordingly, bills amounting to Rs.28.82 million had been released from the year 2016 to the end of the year under review and the reasons for removing the total bills of Rs.6.4 million from these accounts through credit notes in the year 2017 were not submitted to the audit.	The Board of Directors has decided to waive the charges, related to the emergency treatment carried out for the protection of the life of a patient who is brought to the hospital suddenly if the patient is not able to pay for, the fees to be borne until the organs of a brain-dead patient are obtained and the fees applicable to some of the original patients undergoing liver transplantation, that the every bill exemptions as stated by the audit report has been suspended and the Board of Directors has forwarded to the Investigation Division of the Ministry of Health that to issue a report on the fees exempted like that.	Approval of the Board of Directors should be obtained in respect of fee exemptions.
(ii) There was a debtor balance of Rs.23.07 million to be recovered from patients who left the hospital without paying hospital bills and the value of these bills ranged from Rs.360 to Rs.2.04 million. The reasons for not charging hospital fees when patients left the hospital were not explained to audit.	A legal document will be signed by the patient's side and the hospital police will be informed to take legal action against the patients who do not pay the hospital fees from the year 2020.	Action should be taken to recover hospital fees to be charged from patients.
(iii) According to the information of the Systolic computer system, the total amount to be charged from 22 patients who were treated and left the hospital but did not pay the bills was Rs.2.05 million.	-do-	Actions should be taken to recover the hospital fees to be charged from the patients.

- | | | | |
|------|---|--|--|
| (iv) | Final bills were being processed daily in the computer system to the 08 patients who left the hospital but did not prepare the final bills and the total value of these bills was Rs.35.72 million as of 03 May 2024. These patients were not identified and hospital fees had not been charged for caring patient. | That the matter will be examined and action will be taken to remove from the computer system. | Action should be taken to recover hospital fees to be charged from patients. |
| (v) | Due to hospital bills of patients who have left the hospital after submitting credit letters are not reimbursed from the respective insurance institutions or service institutions, there was a total debtor balance of Rs.29.62 million of the balances exceed Rs.1 million to be recovered from 09 institutions for more than 90 days. | That it is admitting that the receipts of hospital charges from some insurance companies are delayed and instruct the relevant officers to take immediate action in this regard. | Action should be taken to recover the amount immediately. |
| (b) | Rs.22.9 million has been paid during the year under review for maintenance services and fuel and electricity for the Clinical Waste Burning Machine (Incinerator), which was purchased from a private institution on 03 November 2016 at Rs.23.54 million with VAT and the amount spent on water could not be distinguished. Although it was stated that this will burn the daily clinical waste between 300kg and 400kg, reports on actual burns were not submitted to the audit. Following facts were revealed during the inspection regarding the utilization and maintenance of this machine: | | |
| (i) | Despite the recommendation of the Technical Evaluation Committee was given to purchase only the machine without a maintenance service agreement at the time of purchase of the machine, a maintenance service agreement was entered into with the company that purchased the machine after the expiry of the two-year warranty period of the machine and a sum of Rs.6.91 million had been paid as service charges on 03 occasions by the end of the review year. | That the recommendation of the Technical Evaluation Committee was given on the basis of only the cost of the machine, that the agreement had to be signed contrary to the prices specified in the initial tender due to the facts that hospital did not train a suitable service team although supposed to carry out the services by the hospital, the biomedical engineer had informed that the maintenance work could not be carried out properly due to staff deficiencies. | The maintenance service costs should be evaluated in calculating the machine costs and decisions of the technical committee should be taken as not to disadvantage the hospital. |

- | | | | |
|-------|---|--|--|
| (ii) | It was observed that the machine did not properly burn the clinical waste even though a considerable amount of money has been spent on maintenance services. Although the Environmental Protection License of the Central Environmental Authority was expired on 23 November 2023, the renewal of the license was delayed due to non-completion of necessary repairs by the Maintenance Services Agency and it could not obtain the relevant emission test certificate. | That, it has been repaired several times by the concerned agency in the event of defects in the Incinerator machine was reported. After receiving the recommendations of defects and repairs from the machine inspection report of the National Engineering Research and Development Centre to be received, action will be taken to get repair from the service provider and to obtain the environmental protection license and emission test certificate. | Repairs should be carried out without delay. |
| (iii) | Action had not been taken in respect of burnt ashes in terms of Sections 4.7 and 4.8 of the Expired Environmental Protection License for the year 2022/2023. During the physical inspection carried out by the audit, it was found that partially burnt clinical waste was exist among the ashes and there was a risk of addition in the surrounding water sources during the rainy season due to the piling up the ashes in the open environment in a way that was harmful to the environment. And also, action had not been taken to obtain the waste management license related to the hazardous waste management according to the notice issued by the Central Environmental Authority. | That the full burning of clinical waste is expected after the repair of this machine and the ashes removed by this Incinerator machine will be disposed without harming the environment under the supervision of the officers of the Central Environmental Authority in the future by obtaining hazardous waste management license. | Proper program should be prepared to dispose of waste in a way that is not harmful to the environment. |
| (c) | The following facts were revealed during the examination of rental income of the institutes operated on rental basis. | | |
| (i) | Although the monthly rent of Rs.45,000 and Rs.15,000 had been charged respectively from the Hatton National Bank and People's Bank which operate business on rent basis in the hospital premises, agreements had not beenreached between the two parties in this regard. | That the action will be taken to enter into a rental agreement with Hatton National Bank and the People's Bank. | Actions should be taken to make agreements immediately. |
| (ii) | The hospital had charged Rs.85,000 as monthly rent from 2006 to 2018 and Rs.120,000 from 2018 as monthly rent as | That the action will be taken to obtain an assessment report in the future and to sign a | Actions should be taken to make agreements |

the Memorandum of Understanding signed with the State Pharmaceutical Corporation established in the hospital in the year 2006 did not include the conditions required to timely increase the rent and enter into new contracts. Although it was decided to increase the monthly rent to Rs.150,000 by a decision of the Board of Directors dated 30 June 2023 and enter into a new agreement, action had not been taken to obtain the assessment reports related to determine the rent amount and enter into a new agreement.

Memorandum of Understanding immediately with OsuSala.

- (iii) Action had not been taken to charge fee for the water consumed by the food outlets as per the terms of the agreement.

That the water meters will be installed in these outlets and actions will be taken to charge amount for water consumption in future. Agreements should be followed.

3.3 Human Resource Management

Audit Observation

Comments of the Recommendation Management

- (a) An officer had been appointed from 28 July 2021 on the basis of covering up duties subject to payment of covering up duties allowance of 1/4th of the salary of the permanent post for the post of Deputy Director of the hospital until an officer is appointed permanently on the decision of the Board of Directors. It was decided that the salary of the officer would be paid by the Ministry of Health and only allowances related with covering up duties would be paid by the hospital. The following facts were revealed in this regard.

- (i) As per Section 13.7 of Chapter II of the Establishments Code, although it is not entitled to receive additional remuneration in respect of an appointment of covering up duties, the hospital had paid total amount of Rs.6.43 million as salary and allowances from 28 July 2021 to 31 December 2023 and Rs.775,170 million as allowance for covering up duties up to 30 September 2023 contrary to the

That the payment of allowance for covering up duties was suspended from October 2023 and although the Accounts Division was informed to recover the overpaid allowance, the recovery was suspended on the instructions of the former Chairman. Actions should be taken to recover the over payment.

- Establishment Code. Payment of allowance for covering up duties had been suspended from October 2023 and although the management had informed the Accounts Division to take action to recover the money, action had not been taken so far.
- (ii) Despite a list of duties is not being given to confirm that any duty was assigned other than the a regular duty of permanent staff of the hospital or covering up duties of the post of Deputy Director, payment of Rs.4.77 million as additional duty allowance for the stipulated period of time and payment of Rs.1.28 million as fuel allowance for the officer who is not entitled to reserved vehicle as per the Public Enterprises Circular No.PED 01/2015 dated 25 May 2015 was a fact to the controversial nature.
- (iii) According to the decisions of the Board of Directors, although this covering up duties appointment was given temporarily until a permanent officer is appointed, he had been employed for more than 2 1/2 years and the vacancy had not been filled on a permanent basis.
- (b) The work of preparing a recruitment procedure for the hospital was entrusted to a committee by a board decision dated 27 April 2023 and an amount of Rs.518,000 was paid to the committee during the year under review and although recruitment procedures for 84 positions were prepared according to the information submitted to
- That a list of duties has been provided so far, since this officer does not have right to use a reserved vehicle as per the circular, the fuel allowance paid has been suspended and although a group vehicle and a driver are attached from 03 February 2024 to go and come from the work place to the house according to paragraph 4 of the circular, approval of the former Chairman has also been obtained to drive the vehicle by himself and to keep the vehicle in his house by informing that it will be incurred extra cost due to the 04 journeys.
- The Board of Directors has also approved the procedure for calling applications for recruitment to the post of Deputy Director and awarding marks in the interview and, this has been temporarily suspended on the oral instructions of the former Chairman until the new recruitment procedures are approved.
- The Committee appointed to prepare the recruitment procedures has prepared all the drafts of recruitment procedures and the drafts will be sent to the Department of Management Services through the Ministry of
- Action should be taken to recover the allowances paid against the provisions of the Circular.
- Actions should be taken to fill up the vacancies on a permanent basis.
- Recruitment procedures should be prepared and approved.

- the audit, it had not been submitted for approval. As well as approval of the Department of Management Services could not be obtained due to inconsistencies in the salary codes for 12 recruitment procedures.
- Health by the Board of Directors and future action will be taken.
- (c) The 266 officers for 03 positions and 04 officers to one positions which was not within the approved cadre had been appointed beyond the approved number of positions as at 31 December 2023 without the approval of the Department of Management Services. That, this is appeared due to a change in codes in the recruitment of management assistant officers, orderly and health careassistants staff at the hospital and that the position of phlebotomist has not yet been approved. Recruitment procedures should be prepared and approved.
- (d) The following facts were revealed regarding payment of a gratuity of Rs.2.18 million with a fine of Rs.284,784 to the Administrative Officer who retired on 24 April 2020 from the Hospital Service.
- (i) An officer for preliminary enquiry was appointed on the day before the officer is to be retired despite the audit queries were issued on two occasions in the years 2017 and 2020 respectively regarding then on-approval of appointment and payment of salary and name of the position of this officer and payment of allowances for covering up duties of the post of Head of Human Resources. The audit was not provided information that a formal disciplinary inquiry had been conducted in this regard. That this investigation is not a preliminary inquiry and an investigation by an individual inquiry panel nominated by the Board of Directors to resolve a problem in obtaining his settlement certificate. Management should take formal disciplinary and legal action immediately.
- (ii) Although it was stated that total of Rs.2.75 million as an amount of Rs.1.17 million calculated as wrongly earned salary according to the preliminary investigation and an amount of Rs.1.58 million as allowances wrongly paid for performing the duties of the post of Head of Human Resources as per the audit query should be recovered from that officer, action had not been taken accordingly. Although the Board of Directors took action to recover this amount paid as allowances, that it has been informed to deposit the amount in the Labor Court and the court released that amount without recovering the amount. -do-

- (iii) Although the gratuity amount of the officer was withheld for the purpose of recovering the amount to be recovered from the officer, a case had been filed in the Magistrate's Court after the relevant officer complained the Commissioner of Labor and a file relating to the case was not submitted to the audit. Accordingly, the relevant officer was paid a total of Rs.2.18 million of gratuity with a fine of Rs.284,784. It was observed during the audit that Rs.3.04 million including wrongly paid salaries, allowances and gratuity surcharges had to be paid due to lack of immediate disciplinary and legal action by the management.
- That, the relevant file will be -do- submitted to the audit.

3.4 Vehicle System Management

Audit Observation	Comments of the Management	Recommendation
(i) Although 07 years has been passed from the hospital received six vehicles provided by the Department of National Budget as the request of the Ministry of Health according to National Budget Circular No.150, actions had not been taken to take over those vehicles to the name of the institute until the date of audit.	That, the letters relating to the acquisition of ownership of the vehicles and statements regarding the transfer have been communicated in writing to the Ministry of Health and reminder letters have been sent to the relevant departments.	Actions should be taken to take over the vehicles without delay.
(ii) Parties who responsible regarding the car which was involved in an accident had not been determined by conducting a preliminary inquiry as per F.R.104 (1) and the insurance company did not claimed the damages as car was sent for repairs more than two years after the accident. Although a private company submitted an estimate of Rs.489,200 for repairs, the vehicle was damaged due to immediate repair work was not done according to that and, the relevant company had submitted a new estimate of Rs.1.73 million. Although Rs.97,840 has been paid as an advance, huge expenditure had to be incurred as the vehicle was not repaired within the stipulated time.	The repair work was carried out by the Lakdiva Engineering Company approved by the Ministry of Transport as per the notice of the Board of Directors due to the closure of garages during the Covid-19 pandemic, delay in taking decisions from the procurement committees, non-approval due to high prices offered, that the insurance compensation could not be obtained due to failure to carry out the repair work within the stipulated time.	Defects should be immediately identified and repairing works should be done.

- (iii) An ambulance which had been out of operation since May 2021 was sent for repair in February 2022 and although the hospital had spent Rs.1.2 million in the year under review for the repair of the ambulance, it could not be used for hospital works as an ambulance since the air conditioning system was not working properly, the rear door was in a dilapidated condition and the interior of the vehicle was not in a good condition to transport patients. That the company had only repaired engine defects, that the ambulance had been parked in the garage for a long time, and that the engine had been completely removed and repaired causing to the dirt inside and the air conditioning system to malfunction. -do-