

Wijaya Kumaratunga Memorial Hospital Board - 2023

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 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 policy 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 Hospital 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 Hospital 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 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 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 Hospital Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Institute to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Hospital Board, and

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

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

1.5 Financial Statement

1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Audit Observation	Comments of the Management	Recommendation
(a) According to paragraph 80 of Sri Lanka Public Sector Accounting Standards 1, although only the liabilities to be settled within a period less than a year should be classified under current liabilities when preparing the statement of financial position, the provisions for gratuities with a total value of Rs.53,728,397 had been stated under current liabilities not in accordance with that.	That the gratuity provision for the retiring officers be accounted as a gratuity expense payable under current liabilities and that the amount allocated for all employees who complete one year will be classified as a non-current liability in the future.	Sri Lanka Public Sector Accounting Standards should be followed.
(b) According to paragraph 49 of Sri Lanka Public Sector Accounting Standards 7, although the group of property, plant and equipment to which the asset belongs should be revaluated, if an item of property, plant and equipment is revaluated, a vehicle worth Rs.8,500,000 was not revalued during the year and all other vehicles had been revaluated.	Since the accounting of the revalued amount of this vehicle received as a donation will also affect the Amortization of Donation Assets account, there will be no accounts to enter the revalued amount in the year 2023 and the revalued amount will be accounted in the year 2024.	Sri Lanka Public Sector Accounting Standards should be followed.
(c) Due to non-annual review of the useful lifetime of non-current assets in accordance with paragraph 65 of Sri Lanka Public Sector Accounting Standards 7, due to the estimated error on the useful lifetime of the assets which a cost of Rs.173,482,995 and the board is currently using was not revised according to Sri Lanka Public Sector Accounting Standard 3 and shown in the	The Institute of Biological Engineering and the Government Valuation Department have been informed about this and due to those institutions have been informed that they will not do so, it is not possible to estimate the assets and show the correct carrying value in the financial statements.	-do-

financial statements, the value of those assets remained zero.

1.5.2 Accounting Deficiencies

The following observations are made.

Audit Observation	Comments of the Management	Recommendation
(a) The 04 vehicles belongs to the hospital had been revalued according to a valuation report dated 29 August 2023 and the depreciation value of the year had been overstated by Rs.4,438,356 due to depreciation of those assets for the entire year. Accordingly, the deficit of the year had been overstated and non-current assets understated in the financial statements.	Since all these 04 vehicles were in running condition from the beginning of the year, they were depreciated for the year based on the revalued amount.	This error should be corrected.
(b) The Central Engineering Consultancy Bureau (CECB) had submitted bills worth Rs.1,269,219 on 07 September 2023 regarding the electrical modernization of the eye clinic carried out in the year 2020. The related expense had not been shown as an accrued expenditure in the financial statements.	That, although this work had been completed on 2020.12.05, due to inability to getting approval for the bills of the relevant contract company by CECB, they did not presented to the payments in the years 2021 and 2022, that the provision required to release overdue payments has been requested under F.R.115 for the bills approved on 06.09.2023 and that it was not included in the financial statements as the Board of Directors will not approve the provision until the approval is received.	-do-
(c) As of December 31, 2023, A difference of Rs.1,611,954 was observed between the value according to the financial statements and the value according to the files and documents submitted for audit in relation to 04 subjects of medical equipment, furniture and equipment, computers and machinery, and the reasons for the difference had not been presented.	That, the relevant schedules are being re-examined.	The balances shown in the financial statements should be reconciled with the balances of ledger account.

1.6 Non-compliance with Sri Lanka Public Sector Accounting Standards

The following observations are made.

Reference to Laws, Rules and Regulations etc.	Non Compliance	Comments of the Management	Recommendation
(a) Sections 2.1 and 2.2 to 2.6 of Chapter II of the Establishment Code of the Democratic Socialist Republic of Sri Lanka	The recruitment procedures including necessary qualifications, salary scale of the position, age limit and other related details for the positions of the cadre in every service and grade were not prepared and the relevant approval for those procedures had not been obtained following the procedures specified in Establishment.	That the recruitment procedure for the position of hospital director has been prepared and submitted to the Management Services Department at present, and that the discussions are being made with the Department of Management Services to get advice for preparing the recruitment procedures for other positions.	Action should be taken in comply with the provisions of the Establishment Code of the Democratic Socialist Republic of Sri Lanka.
(b) Public Administration Circular No.09/2009 dated 16 April 2009	Although all government entities required keep record for verification of arrival and departure to the office using finger print machine, the hospital had not use fingerprint machine for verification of arrival and departure in hospital.	That, there was a detailed discussion about the use of finger print machines in the meeting on 09.11.2023 of Board of Directors and after considering the requests made by all trade unions related to the hospital, the Board of Directors has decided that the use of finger print machines is not necessary for the hospital.	Public Administration Circulars should be followed.

2. Financial Review

2.1 Financial Results

The operating result of the year under review was a deficit of Rs.17,078,072 and correspondingly the deficit of the previous year was Rs.6,647,614. Accordingly, a decline of Rs.10,430,458 was observed in the financial result. This decline was mainly due to the increase in supply and consumption expenses by Rs.70,680,881 in the year under review.

3. Operational Review

3.1 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) The amount of Rs.2,249,167 spent by the hospital in the year 2022 for working as a Covid intermediate treatment center according to the instructions of the Ministry of Health has not yet been reimbursed by the Ministry of Health.	That, all the documents related to reimbursement of this amount have been submitted to the Ministry of Health and that the reimbursement of the amount has not been done so far.	Actions should be taken to collect the receivable amount immediately.
(b) The loan arrears receivable amounting to Rs.1,470,711 from two officers who vacated the service in the years 2021 and 2023 had not been recovered by the date of audit 15 June 2024.	These nurses have left the country without informing and due to the fact that the employee did not provide the application to the hospital at the time of leaving the service, since the gratuity amount has not been paid, the hospital has not been able to recover the loan balances.	-do-
(c) The pediatric diseases clinic and the ENT clinic of the hospital had not been conducted since 2021 and the family medicine clinic had failed to be conducted in the year 2023.	Both specialists who conducted these clinics were not permanent members of the hospital and this clinic has not been conducted since both of them left the hospital in the year 2022.	Actions should be taken to conduct the mentioned clinics by making efficient use of the existing resources.

3.2 Procurement Management

Audit Observation	Comments of the Management	Recommendation
(a) Although it is mandatory for all bidders to register with the National Medicines Regulatory Authority for procurement of Medicines and Medical Devices as per guidelines 2.1 and 2.2 of the Medicines and Devices Procurement Guidelines 2007, bids worth Rs.5,928,038 had been awarded on 09 occasions to bidders who did not submit their registration along with their bid documents and whose registration had expired and, the attention of the Technical Evaluation Committee had	That the prices are called from the registered suppliers of the hospital for the continuity of emergency surgery and operating room services of the hospital, that the expired certificates have been submitted in some cases, that although the Technical Evaluation Committee has asked the bidders about this, they have informed that it will take time to receive the registration certificate from the Medicines Regulatory Authority and that it	Drugs should be procured only from the registered suppliers.

not been paid in this regard.

will be submitted as soon as the relevant registration is received, since suppliers have supplied earlier as well to the hospital, that the adjustment of other criteria and lowest prices were considered and purchases were made.

- (b) As per Guideline 5.2 of Medicines and Devices Procurement Guidelines 2007, although the Technical Evaluation Committee should consist of a representative of the Ministry of Health, a representative of the State Pharmaceutical Corporation, two consultants with minimum expertise and the representative nominated by the General Treasury, the committee with such representative had not been appointed related to Rs.27,461,853 of Medicines and Devices purchased by hospital in 10 occasions. All surgical materials and devices are essential and emergency surgical devices and, since operating room services for planned surgeries and life-saving surgeries should be continuously maintained, as a hospital controlled by hospital boards of directors, the hospital director has appointed a technical evaluation committee consisting of a Surgeon, a Pharmacist and an Administrative Officer to select the relevant bidders. Provisions of the Medicines and Devices Procurement Guidelines should be followed.
- (c) As per the guideline 2.14.1 of the Procurement Guidelines 2006, although the procurement of goods and services over one million rupees should be done by a departmental procurement committee chaired by the head of the department, purchases of Rs.24,726,763 had been made by the Regional Procurement Committee in 07 occasions non-compliance with that. As per the delegated financial powers for the purchase of urgent and essential medicines and devices of the hospital, That all purchases have been made within the financial limits assigned to the Director within the limit of Rs.100,000 and to the Regional Procurement Committee within the range from Rs.100,000 to Rs.12.5 million limit. Government Procurement Guidelines should be followed.

- (d) As per guideline 2.8.5(b) of Procurement Guidelines 2006, Although the Head of the Department may direct the Regional Procurement Committee to take decision on the award of the contract without the assistance of a Technical Evaluation Committee only if the Head of Department is satisfied that the Regional Procurement Committee appointed for the purpose consists of an officer having knowledge of the subject, the procurements for 02 contracts with a total value of Rs.2,802,965 had been done during the year under review without appointing Technical Evaluation Committees without such directive, Also, although at least 05 sealed bids should be called for procurements up to Rs.3.5 million while using the shopping method for procurements, there were cases where the procurements were not properly competitive due to not doing accordingly.
- That the repair work has been carried out according to the Technical Evaluation Report after calling the prices from the registered contractors of the hospital and evaluating the bid documents with those prices in carrying out the work of modernizing the wound dressing station and putting safety net for the central air conditioning system in Ward No.5 of the hospital.
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