Wijaya Kumaratunga Memorial Hospital Board - 2024

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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 2024 comprising the statement of financial position as at 31 December 2024 and the statement of financial performance, 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 2024, 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.

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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 the Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of these 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'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 Board or to cease operations, or has no realistic alternative but to do so.

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

As per sub-section16(1) of the National Audit Act No. 19 of 2018, the Board is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable the preparation of annual and periodic financial statements.

1.4 Scope of Audit (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 exercised professional judgment and maintain professional scepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund'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. However, future events or conditions may cause the Board to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Board , and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Board has complied with applicable written law, or other general or special directions issued by the governing body of the Board;

- Whether the Board has performed according to its powers, functions and duties; and

- Whether the resources of the Board had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws;

1.5 Audit Observations on the Preparation of Financial Statements

1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

	Non-compliance with reference to the relevant standard	Comments of the Management	Recommendation
(a)	In accordance with paragraph 22 of Sri Lanka Public Sector Accounting Standards No. 07, if the cost incurred for an asset increases the value of the asset, that value should be capitalized. However, due to the medical equipment repair expenses of Rs. 4,078,788 being recorded as a revenue expense, the loss for the year under review was overstated by that amount and the non-current assets were understated.	As per the decisions of the Board of Directors, the repair of this equipment has been carried out using recurring expenses and this decision has been taken as it would take time to request and obtain additional capital to ensure uninterrupted surgical operations.	Action should be taken as per Sri Lanka public Sector Accounting standards.
(b)	In accordance with paragraph 65 of Sri Lanka Public Sector Accounting Standard No. 7, the cost of assets still in use, which had been fully depreciated, amounted to Rs. 215,473,265, had not been disclosed in the financial statements and action had not been taken to disclose the correct carrying value in the financial statements following effective life being reviewed in accordance with Sri Lanka Public Sector Accounting Standard No. 3.	Although buildings and vehicles were re-valued and accounted for in 2015 and 2023 respectively, the Biological Engineering and Valuation Divisions were informed for revaluation of other assets, but they informed that they would not revalue them, such action made it impossible to revalue medical equipment, machinery, furniture, fixtures, and computer equipment.	Action should be taken as per the standards.
(c)	05 vehicles belonging to the Board had been re-valued in the year 2023 and one vehicle thereof cost of which amounted to Rs.8.5 million had been re-valued at	Since the value of one vehicle has not taken a zero value, the re-valued amount in the year 2023 was not taken into	Action should be taken as per the standards.

	Rs.17.7 million. This re-valued amount had not been included in the financial statements of the year 2023 and the same had been shown as the re-valued amount in the financial statements of the year 2024. As a result, the value of the property, plant and equipment was understated by Rs. 9.2 million at the beginning of the year 2024. This had not been disclosed through notes in accordance with Sri Lanka Public Sector Accounting Standards No. 07.	account. However it has been taken into account in the year 2024. It is recorded in the accounting policies of the previous year.

1.5.2 Accounting Deficiencies

	Audit Observation	Comments of the Management	Recommendation
(a)	Due to the inconsistency in the financial statements of the value of medicines worth Rs.256,724 that were withdrawn from use, the cost of consumables and losses were overstated by that amount.	The Medical Supply Institute is taking action in this regard and after informing the hospital in writing, accounting will be done according to that decision..	The value of discontinued drugs must be adjusted in the accounts.
(b)	Although the gratuity provisions as at 31st December of the year under review stood at Rs.60,892,587, the non-current liabilities, gratuity expenses and loss for the year were understated by Rs.552,122 due to the fact that it was shown as Rs. 60,340,465 in the financial statements.	This error has been corrected through journal entries in 2025.	Arrangements must be made to adjust in the accounts.
(c)	According to the inventory survey report conducted at this hospital as of December 31, 2024, the value of 01 Bed Screen, 01 Wall Fan and 01 Television, which were identified as surplus items, had not been identified and accounted.	This error has been corrected through journal entries in 2025.	Arrangements must be made to adjust in the accounts.
(d)	The amount of Rs.328, 771 incurred for the purchase of yellow polythene bags from outside for disposing of clinical waste, which was due from the year 2018, had not been disclosed in the financial statements. The Public Accounts Committee held on 11 November 2022, had also ordered that the said amount be recovered from the company.	Since this had not been identified during the preparation of the final accounts, action will be taken to recover it in the future through bills paid to Cecil Hanaro.	Recovery should be made without delay.

1.6 Accounts Receivable and Payable

1.6.1 Accounts Receivable

	Audit Observation	Comments of the Management	Recommendation
(a)	The rent of Rs. 95,600, which was due from the canteen since 2022, has not been recovered so far.	Arrangements have been made to take legal action.	Prompt action should be taken to recover the money.
(b)	The hospital had not yet taken steps to recover the amount of Rs. 2,249,167 spent in the year 2022 for operating as a Covid Intermediate Treatment Centre As per the instructions of the Ministry of Health.	The Covid Project Office has informed that there is no provision with them in this regard and the Ministry of Health has not reimbursed it either. Although approval has been sought to write off the amount as an expense of the hospital and prepare the accounts, approval has not been received therefor either.	Action should be taken to obtain reimbursement or write off upon approval.

1.6.2 Amounts payable

Audit Observation	Comments of the Management	Recommendation
The amount payable to the Medical Supplies Division as at 31 December 2024 for the supply of medicines and surgical equipment stood at Rs. 159,269,184, of which Rs. 105,520,755 relates to the balances payable in respect of previous years.	Since the provision made to the hospitals and the income received is insufficient, it has not been possible to settle the bills. The Chief Financial Officer 1 has verbally informed the Board of Directors to discuss this with the Secretary of Health and obtain a decision in this regard.	Action should be taken to arrive at a prompt solution.

1.7 Non-compliance with laws, rules, regulations and management decisions

	reference to laws, rules, and regulations, etc.	Non-compliance	Comments of the Management	Recommendation
(a)	Section 3.2 of the State Enterprises Handbook No. PED 01/2021 dated November 16, 2021.	Although recruitment and promotion procedures for the approved cadre positions should have been prepared and approved by the Department of	Recruitment procedure for the post of Hospital Director has been prepared and presented to the Management Services	Action should be taken as per Circulars.

		Management Services, by December 31, 2024, such procedures had not yet been prepared.	Department and discussions are ongoing for the preparation of other recruitment procedures.	
(b)	The Public Administration Circular No. 09/2009 dated April 16, 2009.	Although all government institutions are required to maintain records confirming the arrival and departure of officers using fingerprint machines, the Board had not used fingerprint machines to verify the arrival and departure of its staff.	Taking into consideration the requests made by the trade unions, the Hospital Directors' Board has discussed the matter in detail and decided that a fingerprint machine is not necessary.	Action should be taken as per Circulars.

2. Financial Review

2.1 Financial Results

The operating result for the reviewed year showed a deficit of Rs. 46,955,294, compared to a deficit of Rs.11,587,172 in the preceding year. Accordingly, a deterioration of Rs.35,368,122 in the financial result was observed. This deterioration was mainly due to an increase in salaries and wages by Rs.60, 719,208 and an increase in supply and consumption expenses by Rs. 23,702,283.

3. Operations Review

3.1 Uneconomic Transactions

Audit Observation	Comments of the Management	Recommendation
Although a sum of Rs. 30,981,636 payable to the Central Engineering Consultancy Bureau was disclosed in the financial statements, this expenditure related to the year 2019 was incurred for the preparation of structural designs for the proposed wards complex of the Board. However, since no activities other than the preparation of the preliminary plan have been carried out to date, this expenditure has become an idle expense.	This is the initial cost for drawing up the plans for the proposed ward complex and was suspended in accordance with a policy decision taken by the government in 2020. Due to the above, the request for capital allocation has not been approved by the Board of Directors.	Action should be taken to prevent the cost being uneconomic.

3.2 Identified Losses

Audit Observation	Comments of the Management	Recommendation
In the year 2024, the Board had paid a sum of Rs.406,500 to a private service provider for the sewerage disposal by gully bowsers. Although the Seeduwa-Katunayake Municipal Council could have provided this service at a rate of Rs.6,000 per trip, the Board had obtained the same service from the private supplier at higher rates of Rs.8,500 and Rs.10,000 per trip, resulting in an excess payment of Rs.136,500.The service-providing institution had submitted various types of bills; however, they had not submitted a formal invoice / bill in the institution's registered name and with the registration number thereon. Due to the payments made by the Board based on these irregular bills, it was not possible for the audit to confirm whether payments had been made on the basis of valid invoices	With the increase in the number of patients visiting surgeries, clinics and outpatient departments, the cleaning of gullies needs to be done urgently. This supplier provides gully bowsers with a capacity that is twice that of the gully bowsers provided by the Municipal Council.	Action should be taken to ensure that measures taken are favourable to the Board.

3.3 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
The HbA,CAnalyzer machine, which was purchased for Rs.4,800,000 in 2021 and installed in the laboratory to check blood sugar level history, had not been put into operation since December 6, 2023 due to the high price of the reagent required to perform the tests. Although the machine was required to be turned on/off at least once a week according to the specification thereof, it was currently idle due to not being used for testing. Since the machine had been idle for a long time, it was revealed that eight new capillaries needed to be installed to reactivate it, and that 8 units were	The company that purchased this machine has verbally informed us that eight new capillaries need to be installed for this. Since each of these costs around Rs.250,000, steps will be taken to refer the matter to the Board of Directors after receiving their written recommendation.	When it comes to procurement, greater attention should be paid to the cost of spare parts and after-sales services related to machinery maintenance.

required at Rs. 250,000 each. This situation had arisen due to the lack of attention to the price of the required reagent during the relevant procurement before purchasing this machine.

3.4 Operational Inefficiencies

	Audit Observation	Comments of the Management	Recommendation
(a)	The endoscopy unit conducts both UGIE and LGIE tests. However, due to the absence of a full-time medical officer at the Board, examinations at this unit are conducted by a single doctor only one day per week. A fee of Rs.4,000 is charged per test. By March 2025, around 160 patients were on the waiting list, resulting in a loss of potential income for the hospital and delays in conducting the patients' tests.	The hospital is short of doctors and does not have enough doctors to employ a separate doctor for both of these tests. Therefore, the management has decided to perform endoscopy only one day a week.	A suitable measure should be immediately taken to carry out efficiently.
(b)	The income of the Vijaya Kumaratunga Memorial Hospital Board for the current year was Rs. 127,335,336 and an amount of Rs.199,311,493 was spent on the purchase of medical supplies. It was observed that the income received during the year was not sufficient to purchase medical supplies for the year.	The insufficient and reduced allocations from the Treasury, the collection of money from the Pharmaceutical supply Department due to being a semi-government institution, and the fact that the cost of medicines is not even covered by the fees charged from patients for surgeries and other tests.	Measures should be taken to improve the income and reduce the expenditure.
(c)	During the inspection of the daily attendance records of the cleaning staff, it was observed that two women were using the same signature and if one was absent, the signature of the other employee was also absent. During the physical inspection conducted on 24, 25 and 26 March 2025, it was confirmed that payments had been received using two fake names and ID numbers. Accordingly, the management should pay more attention in verifying the list of employees employed in daily service and the payments made under fake names during the year under review, should be identified and the payments	This matter will be investigated and if there is any recovery to be made, action will be taken to abate the amount from future bills of the relevant institution.	Fraudulent payments should be recovered. Following the conduct of an inquiry. .

made should be recovered from the relevant institution or the responsible parties.

3.5 Procurement Management

Audit Observation	Comments of the Management	Recommendation
Although, in accordance with 6.4.1 of the 2022 Guidelines for Procurement of Pharmaceuticals & Medical Devices, except in cases of emergency and essential purchases, a Technical Evaluation Committee should consist of a representative from the Ministry of Health, State Pharmaceuticals Corporation, Treasury, Medical Research Institute, Epidemiology Unit and at least two consultants with expertise, the hospital had not appointed a committee with such representation in the purchase of medicines and devices worth Rs.34,387,771 on 22 occasions.	The procurement of essential surgical equipment and medicines for emergency surgeries and for the continuity of surgical services in the hospital is carried out by a three-member Technology Assessment Committee from registered suppliers and is subject to the approval of the Board of Directors.	Should be complied with the provisions of the Procurement Guidelines.