

## National Health Development Fund - 2024

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### 1. Financial Statements

#### 1.1 Qualified Opinion

The audit of the financial statements of National Health Development Fund for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 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 fund as at 31 December 2024, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

#### 1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

#### 1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund'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 intend to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16(1) of the National Audit Act No.19 of 2018, the Fund is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable its annual and periodic financial statements to be prepared.

## 1.4 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 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 institute'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 fund, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the fund has complied with applicable written law, or other general or special directions issued by the governing body of the fund;
- Whether the fund has performed according to its powers, functions and duties; and
- Whether the resources of the fund 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**

	<b>Non-compliance with reference to the relevant standard</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a)	Due to the establishment of the Sri Lanka Eye Bank as a separate entity which was under the Fund, the assets and liabilities related to it were the re-organized from the financial statements in the year under review and it had not been disclosed by the accounting notes in accordance with Sri Lanka Public Sector Accounting Standards 01.	It has been set out in the 13 Schedule.	Sri Lanka Public Sector Accounting Standards should be followed.
(b)	According to paragraph 47 of Sri Lanka Public Sector Accounting Standard 3, Although material prior period errors should be corrected retrospectively by restating the comparative amounts presented for the period in which the error occurred in the first financial statements approved for issue after their discovery, apart from this, a balance of Rs.21,448,929 was adjusted against the accumulated surplus brought forward on 01 January 2024 and the related accounts in the year under review as previous year adjustments of the fund.	That the prior period errors have been properly adjusted in accordance with paragraphs 27, 28, 33, 48, and 54.	-do-

### **1.5.2 Accounting Deficiencies**

	<b>Audit Observation</b>	<b>Management Comment</b>	<b>Recommendation</b>
(a)	Due to the fact that, the overtime allowance and holiday salary of Rs.111,109, which was an expenditure of the National Eye Bank, was shown as an expenditure of the fund, the surplus for the year had been over stated by that amount.	That the action will be taken to correct the financial statements for the year 2025.	Action should be taken to rectify the error.

(b)	Due to the fact that, a payment made for a final bill of Rs.1,801,600 made in the year under review for the expansion and renovation of the salary division of the Sri Lanka National Hospital was shown as an advance without considering as an expense of the relevant fund, the surplus and current assets for the year had been overstated by that amount.	That the action will be taken to correct in the financial statements for the year 2025.	-do-
(c)	Rs. 221,160, which had been given to the Fund by Work The World during the year under review for training foreign students, had been credited to the Cardiology Fund LRH Little Heart without crediting to the Fund.	-do-	-do-

## 1.6 Accounts Receivable and Payable

### 1.6.1 Receivables

Audit Observation	Management Comment	Recommendation
(a) In accordance with the Cabinet Decision No.CP/12/0489/509/022 dated 04 May 2012, to implement the project for cancer patients in the Northern Province (Trail Project), It was proposed to construct the Radiation Therapy Unit at the Thelippalae Base Hospital and provide medical equipment for the Pediatric Treatment Unit at the Jaffna Teaching Hospital according to the Memorandum of Understanding signed between the Ministry of Health, the Provincial Ministry of Health, the National Health Development Fund and a trust company as the supporting institution. The Trust Company had provided Rs.218.6 million as assistance for the construction of the Thelippalae Hospital. As per the agreement, the assistance money collected by the relevant trust company under the name of Jaffna Project is property belonging to the Ministry of Health and therefore, the amount of Rs. 75,961,398 collected during the period up to 31 March 2024 had been retained by the company without being used to improve the cancer unit at the Jaffna Teaching Hospital as per the agreement.	The Legal Division is working as per the instructions of the Attorney General to obtain the money.	Action should be taken to recover it immediately and use it for expected activities.

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| (b) | The advances of Rs.1,100,000 and Rs.300,000 respectively given to the Colombo and Puttalam Regional Health Services Offices in June and October of the year under review for flood disaster operations had not been settled by the end of the year under review. | That the advances have been settled on 28 May 2025 and 19 March 2025. | Advances given should be settled immediately after the work is completed. |
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#### 1.7 Non-compliance with Laws, Rules, Regulations and Management decisions, etc.

	Reference to Laws, Rules, Regulations, etc.	Non-compliance	Management Comment	Recommendation
(a)	Sections 5 and 8 of Chapter XII of the Establishment Code of the Democratic Socialist Republic of Sri Lanka and Public Enterprises Circular No.PED8/2022 dated 21 December 2022	Although the appointment letters stated that the Establishments Code would be in force regarding the leave of officers, Rs.125,885 had been paid as allowance for the saved leave contrary to that.	The Department of Public Enterprises has granted permission to the National Health Development Fund to apply the accumulated medical leave and annual leave payments as employee incentives in accordance with PED 08/2022.	The provisions set out in the Establishments Code should be followed.
(b)	Section 3:17:1 of Chapter XXIV of the Establishment Code of the Democratic Socialist Republic of Sri Lanka	Although no officer acting under the control of the main borrower can be accepted as a guarantor for the same borrower, a distress loan of Rs.104,640 had been obtained during the year under review by signing an Accounts Assistant working under the Accountant or Registrar of the Fund as a guarantor.	That the officers of the National Health Development Fund are not considered as public officers and that the Secretary of Health, who is the Chairman of the Fund, has approved a distress loan for the Accountant/Secretary	-do-
(c)	Financial Regulation 877 of Paragraph 15 of Part I of Public Finance Circular No.01/2020 dated 28 August 2020			
(i)	Paragraph 2 (d)	Although a performance report along with certified financial statements of each fund should have	That the action will be taken to inform the Board of Trustees of the National	Public finance circulars should be followed.

been submitted to the Health Development Auditor General with a Fund. copy to the Department of Public Finance within 02 months of the end of the accounting year, action had not been taken accordingly.

(ii) Paragraph 2 (e)	Although the annual performance report should be prepared in three languages and submitted to Parliament for tabling before 150 days from the end of the financial year, the annual performance reports for the last three years had not been tabled in Parliament.	-do-	-do-
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## 2. Financial Review

### 2.1 Financial Results

The operating result for the year under review was a surplus of Rs.248.74 million, while the corresponding surplus for the previous year was Rs.371.30 million. Accordingly, a decline of Rs.122.56 million was observed in the financial result. This decline was mainly due to the loss of income due to the establishment of the Sri Lanka Eye Bank as a separate institution which was under the Fund and the relative decrease in assistance received by the Fund.

## 3. Operational Review

### 3.1 Management Inefficiencies

	Audit Observation	Management Comment	Recommendation
(a)	Although the total value of public funds raised under the Little Heart Project for the construction of a ten-storey building and the purchase of equipment for the Lady Ridgeway Children's Hospital is Rs.707,570,869, Any amount had not been spent from that fund during the year under review and procurement activities had not commenced.	These funds will be used in accordance with the agreement signed in 2017 between the Ministry of Health, the Fund and the College of Pediatricians.	Action should be made to efficiently utilize the money received as donations.

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| (b) | A donation of Rs.42,035,398 given by a donor in 2020 for the improvement of the operating theatre complex at Lady Ridgeway Children's Hospital and the donations of Rs.22,725,000 received in the year 2023 and the year under review for the purchase of consumables required for surgery had not been utilized to perform the relevant functions.   | That the money was received for the improvement of the operating theatre complex at the Lady Ridgeway Children's Hospital and has been temporarily suspended as this amount is not sufficient for that purpose. | -do- |
| (c) | There was a balance of Rs. 461,332,361 in the donation account for Apeksha Hospital as of 31 December 2024, The total public assistance received in 2015 and 2019 amounting to Rs.153,540,440 which included in the fund for the construction of a children's ward at the hospital and the purchase of a Thermo Therapy machine had not been utilized for the relevant purposes. Furthermore, Action had not been taken by the end of the year under review for the procurement of a CT Simulator machine with an estimated cost of Rs.202,309,478, the construction of the building required to install the machine and the procurement of electricity supply for the building where the Sonial Vision x-ray machine by utilizing the funds raised to purchase a Thermo Therapy machine to continue patient care services in the face of the economic crisis as requested by the Director of Apeksha Hospital in 2022 and the remaining funds after purchasing a Pet Scan machine. | Answers have not been given.  | -do- |
| (d) | The General Fund had received Rs.10,000,000 from a donor to purchase medical equipment for the Apeksha Hospital and although the Board of Directors had approved the purchase of the GE 68 Calibration Phantom machine required to conduct the Pet CT Scan using that money, the funds had not been utilized to fulfill the requirements by the end of the year under review.   | This money will be used for a CT simulator.   | -do- |
| (e) | Donations amounting to Rs.13,159,775 received by the Fund in relation to 03   | The amount of Rs.5,642,874 from the fund will be used for   | -do- |

different projects from 1998 to the year under review were retained in the donation account without being utilized for the purposed activities and a balance of Rs.22,770,554, which was remained from the funds received for various needs during the 2020 and 2021 during the Covid pandemic period, had been held in the donation account for more than 03 years without being used for any other productive purpose until the year under review.

the repair of toilet doors and other things at the Tangalle Base Hospital, and the Deputy Director General (Non-Communicable Diseases) has informed that Rs.173,238 from the fund for Thalassemia patients will be kept for retrieval when needed and the Board of Trustees has decided to keep the amount of Rs.7,343,663 received as foreign aid for the purchase of medicines and medical supplies since it has been received for those purposes.

- (f) Although a total expenditure of Rs.696,833 was incurred, including Rs.343,333 paid as an advance to the Sri Lanka Institute of Development Administration for the preparation of the Corporate Plan for the period 2024 - 2029 and Rs.353,500 paid for holding a Board of Directors meeting and a workshop, a Corporate Plan had not been prepared until now.

Actions have been taken to print it in three languages to obtain parliamentary approval.

Action should be taken to prepare the Corporate Plan immediately.

### 3.2 Operational Inefficiencies

#### Audit Observation

By spending the donation of Rs.6,571,856 received for the development of Sri Lanka National Hospital, It had been decided to expand and renovate the main Personnel Administration Division of the hospital, expand and renovate the Salary Division - 1 and to carry out renovation work in the Loan Division using remaining funds. However, only Rs.2,242,912 had been spent on the renovation work in Personnel Administration Division from that donation by the end of the year under review.

#### Management Comment

That the Sri Lanka National Hospital will submit the bills once the repairing works are completed.

#### Recommendation

Actions should be taken to efficiently utilize the money received as donations.



### 3.3 Under -utilization of Funds

Audit Observation	Management Comment	Recommendation
It was observed that the utilization of the fund's General Funds for the improvement of health services in Sri Lanka was in a poor condition and as of 31 December 2024 and, the cumulative income of the General Fund was Rs. 712,414,580 and the amount spent from the General Fund during the year under review to fulfill the objectives of the Act was only Rs. 90,326,859 Accordingly, the cash utilization of the fund remained at 13 percent.	That a strategic corporate plan including vision, mission and objectives has been prepared in accordance with the Department of Public Enterprises Circular No.12/2003 and the funds have been utilized to ensure its continued existence in accordance with paragraph 2.2.1 of the National Health Development Fund.	Relevant institutions should be informed and funds should be used efficiently and effectively.