

Sri Jayewardenepura General Hospital Board - 2010

1. Financial Statements

1.1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Sri Jayewardenepura General Hospital Board had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in paragraph 1:2 of this report, the financial statements have been prepared in accordance with Sri Lanka Accounting Standards and give a true and fair view of the state of affairs of the Sri Jayewardenepura General Hospital Board as at 31 December 2010 and the financial results of its operation and cash flows for the year then ended.

1.2 Comments on Financial Statements

1.2.1 Deviation from Sri Lanka Accounting Standards

Government grants received in respect of capital assets should be recognized against revenue in terms of SLAS 24 but action had not been taken in accordance with the depreciation policy of the Hospital and only 25 percent of the annual grants had been recognized against revenue.

1.2.2 Accounting Deficiencies

The following observations are made.

- (a) As the capital expenditure of Rs.1,865,408 included in the building repair expenditure, the expenditure of the year had been overstated by the same amount and the surplus of the year had been under stated by that amount. The cost of assets had also been understated by a similar amount.

- (b) As a payment of Rs.266,530 relating to the ensuing year in the licenses and insurance charges account had been brought to account as expenditure of the year under review the surplus of the year and the current assets had been understated by that amount.
- (c) As the balance of the provision for gratuity account had been understated by Rs.1,048,783 , the gratuity expenditure of the year under review and the current liabilities had been understated.
- (d) The distress loan of Rs.185,216 given to an employee in the year under review had been omitted from the employees loan balances.
- (e) Even though the economic service charges to be provided in accordance with the income of the year under review amounted to Rs.8,483,639 the provision of charges made amounted to Rs.8,121,211 thus making an under provision of Rs.362,428.
- (f) Instead of adjusting the value of cheques amounting to Rs.2,561,975 issued and but subsequently cancelled through the cancelled cheques account, it had been brought to accounts as expenditure and a similar amount had been treated as income. As such the expenditure and the profit for the previous year had been overstated.
- (g) Action had not been taken to assess and account the value of 155 items of fixed assets received as donations from 2005 to 2010. This included 2 ambulances received as donations.

1.2.3 Unreconciled Accounts

 The following non-reconciliations were observed.

Item of Account	Balance as per financial statements	Balance as per subsidiary records/ confirmation of balances	Difference
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	Rs.	Rs.	Rs.
(a) (i) Value of stock consumed in the drugs stores, surgical material stores, medical equipment spare parts stores, General stores, and x-ray material stores	281,633,129	253,242,211	28,390,918
(ii) The value of bandage materials and stores materials consumed in the medical Laboratory Division	104,484,966	116,236,077	(11,751,111)
(b) State Pharmaceutical Corporation creditors	5,083,240	2,769,792	2,313,448
(c) Medical Supplies Division - creditors	322,368,518	206,320,152	116,048,366

1.2.4 Accounts Receivable and Payable

The following observations are made.

- (a) (i) Fruitful steps had not been taken to recover the following accounts receivable balances remained outstanding for a number of years even in year under review.

Item of account -----	Balance as at 31 December 2010 -----	Age analysis -----
	Rs.	
Income receivable	211,147	more than 5 years
Advances on local purchases	20,221	- do -
Sundry debtors	1,676,022	- do -
Clinical society	44,463	- do -
Sanitary charges - Ministry of Health	5,907,011	more than 1 year
Festival advances	178,500	more than 8 year
Salary Advances	29,690	more than 10 year
Special Advances	5,800	- do -
School Book Advances	48,300	- do -
Hospital Charges Receivable	309,731	more than 5 year
- do -	1,807,095	1 to 4 years

The Chairman informed that action would be taken to write off from books, as these could not be recovered.

- (ii) Confirmation of balances for accounts receivable valued at Rs.211,147 and the sundry debtors valued at Rs.12,307,317 were not made available.

(b) Accounts Payable

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- (i) Action had not been taken to settle the following balances for a number of years.

Item of account -----	Balance as at 31 December 2010 -----	Age analysis -----
	Rs.	
Payables to State Pharmaceutical Corporation	3,618,963	more than 5 years
Creditors and accrued expenses	177,797,320	- do -

- (ii) Confirmation of balances for the sundry creditors valued at Rs. 2,659,630 and the trade and service creditors valued at Rs. 128,345,802 were not made available

1.2.5 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of the following non-compliance are observed.

Reference to Laws, Rules, Regulations etc., -----	Non-compliance -----
(a) Establishments Code	
(i) Section 2.2 of Chapter IX	Ten percent of fees earned from non official works done outside the office time without any hindrance to the official duties by using the experience and knowledge gained from the public service should be credited to the Consolidated Fund. Nevertheless, such fees from professional charges of Rs.166,075,485

paid during the year under review had not been credited to the Consolidated Fund.

The Chairman informed that those provisions could not be applicable to the hospital employees, as the Sri Jayewardenepura Hospital had been established by a Special Act of Parliament.

(ii) (a) Sections 5.2,
5.3, 5.4 and 5.5
of Chapter XIX

Although the rent on government quarters should be recovered on the percentages specified, only 5 percent from the salaries of the officers had been recovered as house rent on a board decision contrary to that provision.

(b) Section 5.8

Water, electricity and gas charges should be paid by the officers but only a sum of Rs.25 per mensem had been recovered by providing water from the common water supply contrary to that provision.

(b) Financial Regulations
F.R. 751

Although receipts and issues of all goods should be posted to a stock register immediately, stock registers in respect of stores held by the electricity repair division and the buildings repair division had not been maintained.

(c) Public Enterprises
Circular No. PED/12
dated 02 June 2003

(i) Section 5.3.1

A copy of the updated Corporate Plan approved by the Board of Directors should be sent to the Line Ministry, Department of Public Enterprises and Auditor General before 15 days of the beginning of the year of accounts. Nevertheless, the Corporate Plan for the period 2010 - 2014 had been approved by the Board of Directors on 20 May 2011.

(ii) Sections (c) of 4.2.1
and 4.2.2

An action plan clearly indicating the physical and Financial performance targets of the Hospital for the year 2010 had not been prepared, approved by the Board of Directors and presented.

(iii) Section 7.4.1

Action had not been taken to establish Audit and Management Committees of the Hospital for the year under review.

(d) Circular No. 30 dated 15
May 2007 of the
Department of
Management Services
and the Circular letter
No. PED/PU dated 08
July 2009 of the
Department of Public
Enterprises

Although the scheme of recruitments and promotions should be prepared and submitted to the National salaries and Cadre Commission before 30 July 2009, it had not been submitted even as at 31 December 2010.

2. Financial and Operating Review

2.1 Financial Review

2.1.1 Financial Results

According to the financial statements presented the operation of the Board of Hospital had resulted in a surplus of Rs.52,064,779 for the year ended 31 December 2010 as against deficit of Rs. 26,845,806 for the preceding year thus indicating an increase of surplus by Rs.78,910,585. Increase in hospital income by Rs.90.3 million due to increase the hospital charges had been the main reason for that increase.

2.2 Performance

Matters observed in respect of hospital performance are given below.

Performance Criteria	Comments on achievements
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(a) Utilisation of beds	74.78 percent in the preceding year had dropped to 66 percent in the year under review. Bed utilisation in 10 wards and ICU had been at a level of less than 50 percent.
(b) Surgeries	17,413 had been carried out in the preceding year whereas only 14,154 had been carried out during the year under review. It represented 18.72 percent decrease as compared with that the preceding year.
(c) No. of tests carried out for OPD relating to the diagnosis services	61,072 tests in the preceding year had dropped to 48,495 in the year under review by 12,577 or 20.59 percent.

- (d) Barium Studies 257 had been carried out during the preceding year whereas only 136 had been carried out during the year under review, representing a decrease of 121 or 48 percent as compared with that of the preceding year.
- (e) Physiotherapy Performance for the year under review was not made available.
- (f) Open Heart Surgeries 330 and 232 in the years 2007 and 2009 had been carried out respectively; only 221 had been carried out in the year under review.
- (g) Closed Heart Surgeries 27 had been carried out in the year 2007 and only 3 had been carried out in both years 2009 and 2010.
- (h) CCT tests of Ophthalmology Even though 830, 242 and 135 tests had been carried out in the years 2007, 2008 and 2009 respectively, only 52 tests had been carried in the year 2010. Accordingly, the decrease as compared with that of the preceding year had been 61.48 percent.
- (i) Visual Fields tests of Ophthalmology 580, 754 and 271 had been carried out in the years 2007, 2008 and 2009 respectively but only 3 had been carried out in the year under review representing a decrease of 98.89 percent as compared with that of the preceding year.

2.3 Management Inefficiencies

The following observations are made.

- (a) A seven day call deposit of Rs.10,000,000 had been opened in the year 2005 and it had been kept as a seven day call deposit even by the end of the year under review. Had this amount been invested in a long term deposit, a more favourable interest would have been earned by the Hospital.
- (b) As a result of delay in the recovery from monthly salaries of employees and settlement of the dead gratuity paid at the end of the each month, the dead gratuity recoverable up to the end of the year under review amounted to Rs.900,000.

(c) Recovery of Professional Charges

The following observations are made.

- (i) As there is no specific system of charging professional charges and a standard charge for each surgery, various doctors had charged various charges for the same surgery. In addition various charges had been applied for the same surgery carried by the same doctor.
- (ii) Professional charges of Rs.166,075,485 had been collected from patients during the year under review. However, operation theatres, equipment and all other facilities of hospital had been used thereon but only a sum of Rs.21,949,212 had been recovered by the Hospital on those surgeries.

- (iii) Even though the professional charges should be charged only for surgeries carried out after office time in paying wards, a professional fee of Rs.663,950 had been charged on surgeries carried out during the office time in 18 instances.
- (d) There were long delays in receiving 29 types of drugs to the stores again after exhausting the stock in drugs stores and there was a shortage of 29 types of drugs which should have been essentially available in a hospital since the beginning of the year under review. Necessary steps had not been taken to avoid inordinate delays and to purchase the shortage drugs.

2.4 Identified Losses

The following observations are made

- (a) Payment of professional charges had also been recovered through credit cards and a commission of 2 percent thereon had to be paid to the Bank. However, the full amount of professional charges had been paid to the Doctors and other supporting staff and the commission of Rs. 766,493 charged by the Bank had been an additional expenditure to the Hospital.
- (b) A debit tax of Rs. 319,760 had been paid during the year under review from the Hospital income in respect of current account operated for the collection and payment of professional charges.

2.5 Lapses in Contract Administration

The following observations are made in that connection.

Particulars of Contract -----	Value ----- Rs.	Observations -----
(i) Operating Laundry Services	4,540,560	* Acceptance of the highest tender price stating that a satisfactorily service is done in the main Hospitals. * Unsatisfactory service was found subsequently.

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|---------------------------------|------------|---|
| (ii) Hospital Cleaning Services | 22,253,228 | * The highest price tender has been accepted, stating that a quality service could be obtained. |
| | | * The contract had been cancelled due to these reasons
Non-deployment of employees as per the agreement, cleaning was not done up to the standard and under usage of chemicals valued at Rs. 52,320. |
| | | * Even though this tender had been offered to another tenderer, chemicals valued at Rs.110,335 had been under utilised. |
| | | * Complains were received stating that a quality service was not provided. |

2.6 Idle , Slow moving and Underutilised Assets

The following observations are made.

- (a) Although a period of nearly 01 year had elapsed by incurring an expenditure of Rs.4,899,050 for wiring the Head Office building and for the purchase of software in computerisation of divisions of the hospital, action had not been taken to complete and use this computer system. This work had to be completed within 06 months since 21 July 2010.
- (b) A sum of Rs.1,650,000 had been spent in the year 2006 for the two dumbwaiters installed in the Advanced Cardiac Centre and service charges of Rs.117,636 had been spent during the years 2006 and 2007. It was observed in audit that the entire expenditure of Rs.1,767,636 incurred on this had become fruitless expenditure as the equipment had become inoperative within a short period after being installed.

- (c) A stock of Medical equipment spare parts valued at Rs.2,529,650 received by the Hospital as a donation 10 years ago had been lying idle in the stores.
- (d) The value of redundant stores for the period ranging from 01 to 10 years in 7 stores of the hospital amounted to Rs.14,069,841.
- (e) As a result of the waste combustion machine regularly becomes in operative it had been utilised only the half of its annual capacity.
- (f) A sum of Rs.93,615 had been invested in a current account of a private bank for more than 3 years and it had been dormant since then.
- (g) A current account had been opened in the Bank of Ceylon for Rs.160,000 in the year 2009 and this money had become dormant even up to the end of the year under review.

2.7 Uneconomic Transactions

The following observations are made.

Item	Amount	Observations
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	Rs.	
(i) Purchase of 17,000 units of blood glucose monitor strips	765,000	An overpayment of Rs.364,140 had to be made as a result of purchasing from the highest bidder by paying Rs.21.42 , more than the lowest price of Rs.23.58 due to a deficiency made in forwarding the specification.

(ii)	Purchase of 1000 units of cerfrixone inj 1g	122,750	An over payment of Rs.80,390 had to be made as a result of purchasing the drug at Rs.122.75 under another Trade name whereas the price there of in the Medical Supplies Division amounted to Rs.42.41.
(iii)	Purchase of 1000 units of metranidazole 500 mg, 100 ml injection, 1900 of cefotoxime 1g inj vial and 150 of clarithromycin 500 mg inj vial	299,000	Even though sufficient stock was available in the Medical Supplies Division at the time of purchasing the overpayment of Rs. 193,978 had to be made due to the purchase made from outside parties.

2.8 Apparent Frauds

 A test check carried out in the year 2009 observed that the professional charges of Rs.1,661,950 had been defrauded by inserting dummy names of Doctors who had left the Hospital service and inserting fictitious EPF numbers of Doctors.

2.9 Budgetary Control

 Significant variances were observed between the budgeted figures and actual figures thus indicating that the Budget had not been made use of as an effective instrument of management control.

3. **Systems and Controls**

Weaknesses in systems and controls were brought to the notice of the Chairman of the Hospital Board from time to time. Special attention is needed in respect of the following areas of control.

- (a) Stores control and holding excessive stocks
- (b) Payment of professional fees
- (c) Creditors
- (d) Purchase of drugs
- (e) Ordering of foodstuff
- (f) Preparation of food menus
- (g) Holding additional stock in the hospital kitchen and maintenance of books and records
- (h) Sale of scraps