

Wijaya Kumaranatunga Memorial Hospital Board -2013

The audit of Financial Statements of the Wijaya Kumaranatunga Memorial Hospital Board for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the statements of financial performance, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory 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 Section 13(1) of the Finance Act, No. 38 of 1971 and Section 13(3) of the Wijaya Kumaranatunga Memorial Hospital Board Act, No. 38 of 1999. My comments and observations which I consider should be published with the Annual Report of the Board in terms of Section 14(2)(c) of the Finance Act appear in this report.

1:2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal controls as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

1:3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000- 1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements 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 Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub - sections (3 and 4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and the extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

1:4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2:1 Qualified Opinion

In my opinion except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Wijaya Kumaranatunga Memorial Hospital Board as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2:2 Comments on Financial Statements

2:2:1 Accounting Deficiencies

The following observations are made.

- (a) Even though the fully depreciated assets costing Rs.46,185,718 are being used at present, action had not been taken to revalue and show those in the financial statements.
- (b) The value of stocks of drugs had been overstated by a sum of Rs.178,837 as the correct cost had not been applied in the valuation of stocks.
- (c) According to the financial statements presented, the value of the prior year adjustments amounted to Rs.1,931,745 while that value had been shown as Rs.799,980 in the cash flow statement. As such the value of the prior year adjustments had been understated in the cash flow statement by a sum of Rs.1,131,765.

2:3 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances were observed.

Reference to Laws, Rules and Regulations etc.	Non-compliance
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(a) Wijaya Kumaranatunga Memorial Hospital Board Act, No. 38 of 1999 Section 10.	Even though the Board should appoint a Management Committee for the administration of the day to day activities of the Hospital, that requirement had not been complied with.

- (b) Drugs Management Handbook issued by the Ministry of Health in the year 2008.
- (i) Chapter 5 Section 2 Even though a maximum buffer stock adequate for two months should be maintained in the Drugs Store, a test check of the Main Store and the Dispensaries of the Hospital revealed excess stocks of drugs as well as the existing of stocks seven categories of drugs and surgical materials exceeding the requirements of more than 06 ensuing months.
- (ii) Chapter 9 of Section 2 Instances of utilizing places without adequate environmental conditions for storage of drugs as stores were observed.
- (iii) Chapter 9 Section 8.1 Even though the Board of Management of the Hospital should inspect the Drugs Stores from time to time and ensure that the drugs are stored properly, such inspections had not been carried out.

2:4 Transactions not supported by Adequate Authority

The powers relating to the approval of payments had not been delegated in terms of paragraph 28 of the Circular No. SFA/01/2012 dated 01 January 2013 of the Secretary to the Ministry of Health and the payments exceeding Rs. 5 million which should be approved by an officer in a level similar to a Deputy Director of the Ministry, had been approved by the Administrative Officer of the Hospital.

3. Financial Review

3:1 Financial Results

According to the financial statements presented, the operations of Hospital Board for the year under review had resulted in a deficit of Rs.18,942,939 as against the surplus of Rs.3,646,870 for the preceding year. As such a deterioration of Rs.22,589,809 was indicated in the year under review. The decrease of the Government recurrent grant by a sum of Rs.7,820,000, the increase of the expenditure on medical equipment consumables by a sum of Rs.1,663,390, the increase of the cost of drugs by a sum of Rs.5,826,625 and the increase of the machinery service charges by a sum of Rs.1,171,309 had been the main reasons thereto.

3:2 Legal Actions instituted against the Institution

A former Accountant had filed a case against the Hospital for the failure to grant an extension of service.

4. Operating Review

4.1 Performance

The performance of the year under review as compared with the preceding year is given below.

Number of Patients treated	Number			Percentage
	2013	2012	Increase/ (Decrease)	
Outdoor Patient Department	135,796	131,206	4,590	3
Emergency Treatment Unit	18,518	19,017	(499)	(3)
Clinics	112,030	109,771	2,259	2
Indoor Patients	15,969	14,079	1,890	13
	282,313	274,073		

Number of Surgical Operations

Eye	10,247	8,180	2,067	25
Laser	2,462	2,619	(157)	(6)
Minor Eye	263	301	(38)	(13)
General	131	150	(19)	(13)
	13,103	11,250		

Number of Tests

Laboratory	34,082	40,231	(6,149)	(15)
X Ray	3,424	3,422	2	--
E.C.G.	3,005	2,795	210	8
	40,511	46,448		

Expenditure

Item	2013	2012	Increase/ (Decrease) in Expenditure	Percentage
	Rs.	Rs.	Rs.	
Laboratory Materials	870,934	628,060	242,874	39
Consumables and Medical Equipment	2,357,404	694,014	1,663,390	240
X Ray Materials	193,042	172,855	20,187	12
Drugs	31,282,074	25,455,449	5,826,825	23
Total Expenditure	173,252,725	150,786,238	22,466,487	15
Depreciation and Gratuity	22,453,384	20,410,472	2,042,912	10
Expenditure per Patient day (Inclusive of Depreciation)	2,310	2,058	252	12
Expenditure per Patient Day (Excluding Depreciation)	2,011	1,780	231	13

The following observations are made.

- (a) Even though eye operations had increased by 25 per cent the number of surgical operations had decreased by 13 per cent.
- (b) The number of laser operations had decreased by 6 per cent while the normal operations as well had decreased by 13 per cent.
- (c) Even though the expenditure on laboratory materials had increased by 39 per cent, the number of laboratory tests had decreased by 15 per cent.
- (d) Expenditure on drugs had increased by 23 per cent while the expenditure on consumables and medical equipment as well had increased by 240 per cent.

4:2 Management Ineffectiveness

The following observations are made.

- (a) The Fully Automated Hematology Analyzer, approved for purchase for Rs.2,500,000 under urgent requirements by calling for limited quotations as approved by the Secretary to the Ministry, had been ordered in December 2012 received on 23 July 2013. Nevertheless, the Reagents requirement for operating the Analyzer ordered in August 2013 had been supplied only in December 2013.

Even though Analyzer had the capacity for carrying out 60 Full Blood Count with D Count per hour, the average number of such tests carried out in the May 2014 had been only 255. As such a high capacity machine had been purchased.

- (b) A fully Automated Biochemistry Analyzer which could carry out 22 different categories of tests with the minimum capacity of 300 tests per hour costing Rs.8,736,000 had been supplied to the Hospital on 13 June 2013. It was observed that 477 instances of 6 categories of tests only had been done during the first 6 months of the year 2014. Even though the laboratory work of the Hospital had expanded, the trained staff had not been recruited for the laboratory. The Chairman informed the audit that despite calling for applications through publication of newspaper advertisements, suitable candidates were not available, that two Trainee Laboratory Technicians had been recruited and attached for training.
- (c) In terms of paragraph 4(1) of the Circular No. 02/19/2009 dated 27 March 2009 of the Ministry of Health, additional service allowance should be paid to the Nursing Officers who serve for more than 36 hours per week. According to a test check it was observed that a sum of Rs.43,422 for 626 hours exceeding the number of overtime hours payable to 28 Nursing Officers had been paid in January 2013.

4:3 Idle and Underutilized Assets

The following observations are made.

- (a) The Surgeon who performed eye operations in the Hospital had suspended the performance of eye operations since the year 2009 and as such the Operating Microscope purchased for Rs.765,000 in the year 2000 had been idling over a period of 04 years.
- (b) Even though the Vitreus Scissors Vertical valued at Rs.258,635 and the Vitreus Scissors – Horizontal valued at Rs.273,700 purchased in the year 2007 had been not in working order from the year 2008, no action whatsoever had been taken in that connection. The Chairman informed the audit that action will be taken in the year 2014 for the disposal of the equipment.

4:4 Deficiencies in Contract Administration

The bid of the lowest bidder for the construction of the car park had been rejected without adducing acceptable reasons and fresh bids had been invited without a total cost estimate and the second lower bidder had been selected and without entering into a formal agreement and without obtaining an advance guarantee bond in terms of Section 8.9.1 of the Procurement Guidelines a sum of Rs.1,763,235 had been paid without certifying the final bill.

4:5 Staff Administration

The approved staff of the Hospital as at 31 December 2013 had been 211 and the actual staff had been 157, thus resulting 54 vacancies. Those vacancies comprised the post of the Hospital Director, 13 in the medical staff, 16 in the Nursing Staff, 8 in the other Hospital Support Staff, 6 Office Staff and 10 of the labour grades.

5. Accountability and Good Governance

5:1 Corporate Plan

According to the Corporate Plan for the years 2013 to 2017 plans had been made for the establishment of the Microbiology Laboratory in the year 2013. Nevertheless, only the award of the contract for the construction of that building had been done on 17 December of the year under review.

Even though plans had been made for the purchase of the non-contact Biometry System, Occulocoberent Tomography and Other Ophthalmic Micro Instruments in the year 2013 for carrying out improvement to the Ophthalmology Unit, that activity had not even been commenced.

5:2 Internal Audit

The Hospital did not have its own Internal Audit Unit and the internal audit is done by the Internal Audit Unit of the Ministry of Health. But the Internal Audit Unit of the Ministry had not carried out the internal audit work during the year under review.

5:3 Audit Committee

According to the Public Enterprises Circular No. 55 of 14 December 2010, the Audit Committee should meet at least once in 03 months. But only one meeting had been held for the year under review.

5:4 Budgetary Control

Variances ranging from 29 per cent to 96 per cent in 6 items of expenditure were observed between the budget and the actual expenditure. As such it was observed that the budget had not been made use of as an effective instrument of management control.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Hospital Board from time to time. Special attention of the management is needed in respect of the following areas control.

- (a) Drug Stores Control
- (b) Ordering for Diets