

Private Health Services Regulatory Council - 2016

The audit on the operations of the Private Health Services Regulatory Council for the year ended 31 December 2016, 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 No.13(1) of the Finance Act, No.38 of 1971 and the section No.7(1) of the Private Medical Institutions (Registration) Act, No. 21 of 2006. The financial statements for the year 2016 should have been submitted in terms of section 13(6) of Finance Act had not been furnished even upto the date of this report. My comments and observations which I consider should be tabled in the Parliament on the performance of the Regulatory Council in terms of Constitution 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka appear in this report.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements of the Council in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control 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.

2. Financial Statement

2.1 Presentation of Financial Statements

In terms of section 7(1) of Private Medical Institutions (Registration) Act, No.21 of 2006, the Private Health Services Regulatory Council should be a corporate body. Accordingly, the Finance Act No.38 of 1971 is applicable for the Council and, in accordance with the section 13 (6) of Act the annual accounts should be rendered to the Auditor General but the Regulatory Council had not rendered the financial statements for the year under review to the audit even upto the date of this report.

2.2 Existence of Assets and Liabilities.

Details of the Assets, Liabilities, Equity, Income and Expenditure mentioned in the last financial statements as at 31 December 2015 prepared by the Regulatory Council are as follows.

Item	Value
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	(Rs.)
Non-Current Assets	26,787,266
Current Assets	17,424,501

Total Assets	44,211,767
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Non-Current Liabilities	-
Current Liabilities	21,688,895

Total Liabilities	21,688,895
Net Assets/ Equity	22,522,872

Total	44,211,767
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Total Income	18,056,343
Total Expenditure	(19,995,419)

Deficit	1,939,076
	=====

2.3 Lack of Evidence for Audit

A register including Treasury bills certificates and Treasury bill numbers, date of deposit, date of maturing and the value had not been furnished for the Treasury bills valued for Rs.10,000,000 remained as at 31 December 2016.

2.4 Accounts Receivables

Action had not been taken to recover the value of dishonoured 07 cheques deposited in the year 2008 amounted to Rs.327,617 from the relevant parties.

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

The following Non-compliances with Laws, Rules Regulations and Management Decisions were observed.

Reference to Laws, Rules and Regulations and Management Decisions etc.

Non-compliance

(a) Section 11 of the Financial Act, No.38 of 1971

A sum of Rs.29,085,716 had been invested in fixed deposits and a sum of Rs.10,000,000 had been invested in Treasury bills by the Regulatory Council as at 31 December 2016 in without taking approval of the Appropriate Minister and the Finance Minister.

(b) Financial Regulations of Democratic Socialist Republic of Sri Lanka .

(i) Financial Regulation 384 (3)

Even though the details of all the cheque books receiving should be reordered in a counter file register, such a register had not been maintained.

- (i) Even though a bank reconciliation statement on the transactions at the end of each months should be prepared before 15 of following month, the bank reconciliation statements for the year under review had been prepared and furnished to the audit only on 23 August 2018. Those bank reconciliations statements had not been signed by any responsible officer of the Regulatory Council.
- (ii) A sum of Rs.53,109,876 directly received to the bank in the period of from the year 2008 to 31 December 2016 had not been identified and accounted in each years and that amount had been adjusted to the bank reconciliation statements.
- (iii) Based on the receipt forwarded by the customers to the institute as a proof for money directly deposited in the bank from the year 2008 to 31 December 2016 a sum of Rs.44,574,658 had been identified as income but the bank reconciliation statement prepared as at 31 December 2016 disclosed that those money had not received to the bank.
- (iv) Interest on matured Treasure bills directly received to the bank amounted to Rs.976,234 in previous three years had not been accounted and that value had been adjusted to the bank reconciliation statement.
- (v) A sum of Rs.11,985,200 had been transferred from the current account of the Regulatory Council to the saving account of the Regulatory Council in 04 instances from 25 July 2011 to 30 November of the year under review and a sum of Rs.8,342,000 had been again transferred from that saving account to the current account in 05 instances. The debit and credit entries of that transactions had not been adjusted to the cash book but had been adjusted to the bank reconciliation statement till 31 December of the year under review.

- (vi) A sum of Rs.1,000,000 recognised as an erroneously recorded since November previous year had been adjusted to the monthly bank reconciliation statements but the action had not been taken to identify and correct the error even in the year under review.
- (vii) Bank charges amounted to Rs.31,700 directly charged by the bank for the period from the year 2007 to 31 December 2016 had not been accounted but adjusted to the bank reconciliation statements.
- (viii) Detail for unidentified balance of Rs.615,000 which was adjusted to the bank reconciliation statement prepared as at 31 December 2016, shown less in the bank than the cash book, had not been furnished to the audit.

(iii) Financial Regulation
396 (d)

Action had not been taken in terms of financial regulation for 15 uncashed cheques, exceeded 06 months valued for Rs.477,495 which had not been forwarded to the bank.

(c) Treasury Circular No. 842 of
19 December 1978

A fixed assets register had not been maintained even up to the end of the year under review for non current assets costed for Rs.1,302,689 as per the financial statements prepared for the year 2015, remained at the end of the year under review.

(d) Treasury Circular No.
IAI/2002/02 dated 28
November 2002.

A fixed assets register had not been maintained even up to the end of the year under review for computers and softwares costed for Rs.2,321,290 as per the financial statements prepared for the year 2015, remained at the end of year under review.

3. Operating Review

3.1 Performance

3.1.1 Planning

Eventhough in terms of section 5.1.1 of the Public Enterprises circular No.PED/12 of 02 June 2003 a corporate plan for not less than three years had to be prepared to accomplish the Regulatory Councils' vision and mission, the council had not prepared a corporate plan.

3.1.2 Activity and Review

The following observations are made.

- (a) An idea in the performance of the Council could not be expressed as the Council had not prepared performance reports for the year under review. However, 1,747 Private Medical Institutions had been registered at the establishment of the Council in 2007 but the registration had decline to 1,011 institutions or decline by 42 per cent at the end of the year under review. An investigation had not been carried out to find out the reasons for decrease of registrations, i.e. may due to the close up the Medical Institutions or may carrying out the business without being registered.
- (b) Even though in terms of Sub section 2(1) of the Private Medical Institutions (Registration) Act, No. 21 of 2006 all Private Medical Institution should be registered, only 1,011 private medical institutions had registered as at 31 December 2016. Further, a proper methodology had not been implemented for the identification of the number of Private Medical Institutions have to be registered, make registrations, and to execute the regulations in the section 04 of the Act, for unregistered institutions.
- (c) The Council had unable to prepare and implement a proper methodology to achieve the following objectives in terms of section 9 of the Private Medical Institutions (Registration) Act No.21 of 2006 even at the end of the year under review.
 - (i) Development and monitoring of standards to be maintained by the registered Private Medical Institutions.
 - (ii) To ensure that minimum qualifications are followed at the recruitment of staff and minimum standards are adopted of training of personnel by all Private Medical Institutions.
 - (iii) To ensure the quality of patient care services rendered or provided by such Private Medical Institutions.
- (d) In terms of section 13 (1) of the Act, eventhough the Minister may on the advice of the council by order published in the gazette, formulate and enforce schemes of accreditation for Private Medical Institutions, action had not been taken even at the end of the year under review in this regards.
- (e) In terms of paragraph (a) of sub section 18 (2) of the aforesaid Act, while registration of renewal of private medical institutions the guidelines to be complied by the provincial Directors of Health Services should be prepared but, so such, had not been done.
- (f) In terms of paragraph (i) of sub section 18 (2) of the aforesaid Act, the procedures or practices to be followed in entering any complaint against any Private Medical Institution or person attached thereto from any interested or aggrieved person, and the final disposal thereof directives should be prepared, but action had not been taken to do so.

3.2 Operational Activities

The following observations are made.

- (i) As per the Cabinet of Ministers Memorandum presented dated 11 June 2015 the approval of the Cabinet of Ministers was received on 09 July 2015 to amend the section 3(5) of the Private Medical Institution (Registration) Act, No.21 of 2006 to include provisions that Provincial Director of Health Services should submit an annual proposal with the annual budget estimate relevant to the development of the private health sector and a report relevant to the expenditure and activities at the end of the year before giving fifty per cent of annual registration income to the Provincial Councils collected by the Regulatory Council. Even though two years had lapsed after the approval of the Cabinet of Ministers received, the Act had not been amended but the fifty per cent from the annual registration fees income had been given to the Provincial Councils.

- (ii) A specific time framework for registration of medical institutions had not been mentioned in the Act or pilot counselling and hence, the registration certificates had been issued relevant to the year after receiving money without considering the date of application in registration of medical institutions and due to non-imposition of a fine, the Provincial Council had received money in delay which was not received at the beginning of the year.

3.3 Staff Administration

Action had not been taken to get cadre approval and recruit suitable staff by identifying the Council functions and the scope since the establishment of the Council to the end of the year under review but in six Assistant Officers including an Accountant and Operation Manager had been recruited without approval of the Department of Management Services.

4.1 Accountability and Good Governance

4.1 Internal Audit

An internal audit had not been carried out in terms of the Financial Regulation 133 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka during the year under review.

4.2 Procurement and Contract Process

4.2.1 Procurement

The following observations are made.

- (a) A procurement plan had not been prepared for the year under review.

(b) A new name board had been given to all Private Medical Institutions in new registration by the Regulatory Council. After 03 November 2011 bids had been called in second time in October 2013 and the contract had been awarded to the same supplier on the lowest bidder on 22 October 2013. A sum of Rs.406,300 incurred and procured 157 name boards by ordering from the same supplier during the year under review. The following observations are made in this regards.

(i) In terms of guideline 3.6.1 of the Government Procurement guidelines, repeat orders for the procurement of goods may be authorised up to a limit of fifty per cent of the original contract value, provided that not more than a six months period had lapsed from the date of award of the original contract. But violating those two limits, after lapsed of six months from the date of award of original contract in October 2013, without recalling bids repeat orders had been given to the same supplier in 02 instances and had procured 111 small name boards at Rs.2,400 each, 36 medium name boards at Rs.2,900 each, and 10 large name boards at Rs.3,550 each, by spending Rs.406,300.

(c) While renewing the annual registration the old name board will be re-filled by inserting the new year to the name board adding a new part. A sum of Rs.816,080 had been incurred in 10 instances to refill 878 name boards during the year under review. The following observations are made in this regards.

(i) Bids had been submitted in two instances to refill old name Boards of Private Health Institutions which renewed annual registration by the same supplier who supplied new name boards. Details as follows.

Category of name boards	Bid forwarded on 07 June 2012	Bid forwarded on 28 June 2012
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	Rs.	Rs.
Large	1,250	1,050
Medium	990	900
Small	850	820

Any written evidences were not furnished to the audit to verify the bids had been called or bids had been submitted from any other institutions

(ii) In terms of guideline 3.6.1 of the Government Procurement Guidelines, repeat orders for the procurement of goods may be authorised up to a limit of fifty per cent of the original contract value, provided that not more than six months period has lapsed from the date of award of the original contract. But violating above two limits, after lapsed of six months from June 2013, without recalling bids name boards had been again refilled from the same supplier and spent a sum of Rs.816,080 to refill 595 small name boards at Rs.850 each, 167 medium name board at Rs.990 each and 116 large name boards at Rs.1,250 each in 10 instances.

- (iii) The name boards had not been refilled at lowest bids furnished on 28 June 2012 but name boards had been refilled at highest bid rates in ten instances. As such, a sum of Rs.56,080 had been over paid to refill 878 name boards such as, a sum of Rs.17,850 for 595 name boards at Rs.30 each, a sum of Rs.15,030 for 167 medium name boards at Rs.90 each, and a sum of Rs.23,200 for 116 large name boards at Rs.200 each.

4.3 Budgetary Control

The budget had not been prepared in accordance with section 5.2.1 of the Public Enterprises Circular No.PED/12 of 02 June 2003.

5 Systems and Controls

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

Areas of Systems and Controls

Observations

(a) Staff Administration

Action had not been taken to get cadre approval and recruit suitable staff by identifying the Councils' functions and scope.

(b) Financial Control

- (i) Not preparation of bank reconciliation statements in time and accurately.
- (ii) Not maintaining fixed assets register.
- (iii) Not maintaining cash book properly.
- (iv) Proper registers for Treasury bills and other investment had not been properly maintained.