

## **Private Health Services Regulatory Council - 2017**

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The audit on the operational activities of the Private Health Services Regulatory Council for the year ended 31 December 2017 was carried out under my direction in pursuance of provision in the 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 7(1) of the Private Medical Institutions (Registration) Act No.21 of 2006. Financial Statements for the year 2017 which should be submitted in terms of section 13 (6) of the Finance Act, had not been submitted even by the date of this report. My observations on the operation of the Regulatory Council which I consider should be submitted to the Parliament in terms of section 154(6) of the Democratic Socialist Republic of Sri Lanka appear in this report.

### **1.2 Management's Responsibility on the Financial Statements**

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The 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 Statements**

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### **2.1 Presentations of Financial statements**

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In terms of section 7(1) of the Private Medical Institutions (Registration) Act No.21 of 2006, it had been stated that Private Health Services Regulatory Council should be a statutory board. Accordingly, since the Finance Act No.38 of 1971 is valid for this council, even though annual accounts should be prepared and submitted to the Auditor General in terms of section 13(6) of that act, Regulatory Council had not submitted the financial statements for the year under review for the audit by the Council even by the date of this report.

### **2.2 Existence of Assets and Liabilities**

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The details on the assets, liabilities, equity, income and expenditure shown in the financial statements last prepared as at 31 December 2015 by the Regulatory Council are stated below.

<b>Item</b>	<b>Value</b>
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	<b>Rs.</b>
Non-Current Assets	26,787,266
Current Assets	<u>17,424,501</u>
Total Assets	<u>44,211,767</u>

Non- Current Liabilities	-
Current Liabilities	21,688,895
Total Liabilities	21,688,895
Net Assets/Equity	<u>22,522,872</u>
Total	<u>44,211,767</u>
Total Income	18,056,343
Total Expenditure	<u>(19,995,419)</u>
Deficit	<u>(1,939,076)</u>

### 2.3 Lack of Evidence for Audit

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Treasury bill certificates with a face value of Rs.10,440,000 existed as at 31 December 2017 and balance confirmation letters from year 2008 to year 2017 had not been submitted for the audit even by the date of this report.

### 2.4 Non- Compliance to Laws, rules and regulations and Management Decisions

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Non- Compliance to Laws, rules and regulations and Management Decisions are as follows.

<u>Reference to Laws, rules and regulations</u>	<u>Non- Compliance</u>
(a) Section 11 of Finance Act No.38 of 1971	Without having the approval of the Minister in charge of the Ministry and the Minister of Finance, a sum of Rs.35,085,716 in the fixed deposit and a sum of Rs,10,000,000 in the treasury bills had been invested by the Regulatory Council by 31 December 2017.
(b) Financial Regulation of Democratic Socialist Republic of Sri Lanka	
(i) Financial Regulation 225 (4)	Even though subordinate officers who prepare vouchers or check them should initial in the space provided for their initials, initials had not been kept on Rs.992,793 vouchers .
(ii) Financial Regulation 231(1)	Even though all vouchers will contain full particulars of each service, such as dates, numbers, quantities, distances, and rates, so as to enable them to be checked, as far as possible, without reference to any other document, bills and receipts confirming the expenses had not been attached with the voucher in reimbursing petty cash of Rs.336,177 in the year under review.

- (iii) Financial Regulation 245(1) Even though all vouchers must be certified by the Certifying Officer, payments had been made for amounting to Rs.619,222 vouchers without certifying in the year under review.
- (iv) Financial Regulation 262(2) Even though all vouchers paid and their supporting documents should be stamped with the PAID stamp payments had been made on Rs.20,372,698 vouchers without stamping in the year under review.
- (v) Financial Regulation 384(3) Even though particulars of each cheque book receives should be recorded in a counterfoils register, such a register had not been maintained in the year under review.
- (vi) Financial Regulation 395 Even though a Bank Reconciliation Statement on the status of the transactions as at the end of each month should be prepared before the 15 of following month, Regulatory Council had not prepared monthly Bank Reconciliation Statements and submitted to the audit.
- (vii) Financial Regulation 431(3) Even though full particulars of the securities, that is, the face value, cost price, amount realized by sale, and the resultant gain or loss, dividends, date of dividends received should be recorded in a Register of Investments, a Register of Investments had not been maintained even by the end of the year under review.
- (c) Treasury Circular No.842 of 19 December 1978 A fixed assets register on Property, Plant and Equipment had not been maintained even by the end of the year under review.
- (d) Treasury Circular No.IAI/2002/02 of 28 November 2002 A fixed assets register on Computers and Software had not been maintained even by the end of the year under review.
- (e) Treasury Operations Circular No. 04/2017 of 02 November 2017 Even though cash book of the year 2017 should be closed and a note with the own name, signature, position and the time should be placed, cash book had not been closed as such as at 31 December 2017.

### **3. Operating Review**

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#### **3.1 Performance**

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##### **3.1.1 Planning**

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In terms of paragraph 5.1.1 of the Public Enterprises Circular No.PED/12 dated 02 June 2003, even though a Corporate Plan should be prepared for a period of not less than 03 years in order to fulfill the vision and mission of the institution, a Corporate Plan had not been prepared by the Regulatory Council.

##### **3.1.2 Operation and Review**

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The following observations are made.

- (a) It was unable to present a view on the performance of the Council since Regulatory Council had not been prepared performance reports for the year under review. However, even though the number of private medical institutions registered in the year 2007 in which the Regulatory Council initiated amounted to 1,747, that amount had been reduce up to 712, that is by 59 per cent by the end of the year under review. An examination had not been done on whether closing down of private medical institutions or unless conducting without obtaining the registration had been the reasoned for reducing the registration as such.
- (b) In terms of the direction of section 2 (1) of the Private Medical Institutions (Registration) Act, No.21 of 2006, even though all Private Medical Institutions should be registered, number of Private Medical Institutions registered as at 31 December 2017 amounted to 712 only. However, a proper method had not been prepared and implemented to identify the Private Medical Institutions to be registered, to register and to implement the direction of the section 4 of the act in relation to institutes which do not register.
- (c) It had been failed to prepare and implement a proper method for fulfilling the following objectives stated in section 9 of the Private Medical Institutions Registration Act No.21 of 2006 even by 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 for recruitment and minimum standards of training of personnel, are adopted 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), even though the Minister should on the advice of the Council, by Order published in the Gazette, formulate and enforce schemes of accreditation for private medical institutions, actions had not been taken accordingly.
- (e) In terms of section 18(2) (a) , even though, the guidelines to be complied with by Provincial Directors of Health Services in the registration and renewal of registration of Private Medical Institutions should be prepared, actions had not been taken accordingly.
- (f) The directions on the procedure or practice to be followed in entertaining any complaint against any Private Medical Institution or person attached thereto from any interested or aggrieved person, and the final disposal thereof, actions had not been taken accordingly as per the section (g) of the sub section 18(2).

### **3.2 Operating activities**

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The following observations are made.

- (a) In terms of the cabinet paper dated 11 June 2015 and submitted, cabinet approval had been received on 09 July 2015 to revise section 3(5) of the Private Medical Institutions (Registration) Act No.21 of 2006 by including the directions into that before giving 50 per cent from the annual registration income collected by the Regulatory Council to the Provincial Councils, the director of provincial health services should submit an annual proposal with the annual budget estimate relating to the development of private health units and to a report on expenditure and activities as at the end of the year. Even though it had been lapsed of 03 years of the cabinet approval, the act had not been revised and 50 per cent from the annual registration income had been given to the Provincial Councils.
- (b) Due to not stating a fixed time period to be registered by the medical institutions in the act or council guidelines, certificates of registration had been issued after receiving money on whichever date and due to not having charged a fine, income to be received to the Council at the beginning of the year had been received late.
- (c) It was observed in audit test check that outstanding registration income receivable to Regulatory Council from halftime normal dispensaries had been amounted to Rs.700,000 from the period of year 2008 to year 2016 and a methodology for identifying outstanding income had not been in the Regulatory Council.

### **3.3 Staff Administration**

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Actions had not been taken to identify the activities and extent of the Institute and to get approved and recruit the staff as suitable for it since the initiation year of the institution to the year under review and 09 persons had been recruited including Accountant, Operation Manager and 04 posts of Assistants without the approval of the Department of Management Services.

#### **4. Sustainable Development**

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##### **4.1 Achievement of Sustainable Development Goals.**

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It is required to take actions by all the public institutions as per United Nations Year 2030 “Agenda” on Sustainable Development and Private Health Services Regulatory Council had not been aware on how should be implemented regarding the activities which comes under own scope relating to the year under review.

#### **5. Accountability and Good Governance**

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##### **5.1 Internal Audit**

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

##### **5.2 Procurement and Contract Process**

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###### **5.2.1 Procurements**

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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 for displaying of all newly registered private medical institutions by Private Health Services Regulatory Council and after 03 November 2011, bids have been called at second time on October 2013 and contract had been offered to the first contractor on 22 October 2013 who submitted the lowest bid. 246 name boards had been purchased by reordering to the same contractor and paying total amount of Rs.609,500. Following observations are made on that regard.
  - (i) In terms of Guideline 3.6.1 of Government Procurement Guideline, reordering for procuring of goods, can be done only up to the limit of 50 per cent of the initial contract value unless it had been lapsed a period of 6 months from the date of first contract offered. However violating those two limits, a sum of Rs. 609,500 had been expensed for purchasing of 226 small name boards at Rs.2,400 each, 6 medium name boards at Rs.2,900 each and 14 large name boards at Rs.3,550 without rebidding and reordering from the same supplier, in 03 occasions in the year under review, after the lapse of a period of 06 months from October 2013, the date on which the first contract offered.
- (c) When renewing the registration annually, actions had been taken to refill by mentioning the New Year and adding a new part to the old name board. A sum of Rs.919,820 had been expensed for reordering and refilling of 982 name boards in 11 occasions in the year under review. Following observations are made on that regard.

- (i) Bids as per the details below had been presented in 2 occasions by the new name board supplier himself for refilling of old name boards of the Private Health Institutions which had renewed the registration annually.

Type of the Name Board -----	Bid presented at 07 June 2012 -----	Bid presented at 28 June 2012 -----
	Rs.	Rs.
Large	1,250	1,050
Medium	990	900
Small	850	820

However any written evidence had not been presented to the audit to prove that bids had been called for this from the institutions or no bids had been submitted.

- (ii) In terms of Guideline 3.6.1 of Government Procurement Guideline, reordering for procuring of goods, can be done only up to the limit of 50 per cent of the initial contract value unless it had been lapsed a period of 6 months from the date of first contract offered. However violating those two limits, after lapse of 6 months from June 2013, a sum of Rs.919,820 had been expensed for refilling of 621 small name boards at Rs.850 each, 228 medium name boards at Rs.990 each and 133 large name boards at Rs.1250 by reordering from the same supplier without rebidding in 11 occasions in the year under review.
- (iii) Renewing of name boards had not been done under the lowest bid submitted on 28 June 2012 and renewing of name boards had been done in 11 occasions under the highest bid. Accordingly, a sum of Rs.65,750 had been over paid for total 982 name boards as Rs.18,630 for 621 small name boards at Rs.30 each, Rs.20,520 for 228 medium name boards at Rs.90 each and Rs.26,600 for 133 large name boards at Rs.200.

### 5.3 Budgetary Control

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In terms of section 5.2.1 of the Public Enterprise Circular No.PED/12 dated 02 June 2003, budget had not been prepared for the year under review.

### 6. Systems and Control

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Weaknesses 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 area of control.

**Areas of systems and controls**

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**Observations**

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(a)	Office Administration	Failure to approve the cadre and recruit by identifying the activity and extent of the institute.
(b)	Financial Control	(i) Failure to prepare bank reconciliations on proper time and failure to prepare accurately  (ii) Failure to maintain fixed asset register, failure to maintain the cash book properly.  (iii) Failure to maintain registers on treasury bills and other investments properly.
(c)	Accounting	Failure to apply double entries accurately for certain transactions as per the accounting concepts.