

## **Sri Jayewardenepura General Hospital Board - 2022**

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### **1. Financial Statements**

#### **1.1 Qualified Opinion**

The audit of the financial statements of the Sri Jayewardenepura General Hospital Board for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 a summary of significant accounting policies, 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 Board as at 31 December 2022, and of its financial performance and its 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 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 Hospital Board 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 Hospital Board or to cease operations, or has no realistic alternative but to do so.

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

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

#### **1.4 Auditor's Responsibilities for the Audit of the Financial Statements**

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 Hospital Board'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 Board, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Board has complied with applicable written law, or other general or special directions issued by the governing body of the Board;
- Whether the Board has performed according to its powers, functions and duties; and
- Whether the resources 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 Preparation of Financial Statements**

### **1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standards**

| <b>Non-compliance with relevant Standard</b>   | <b>Reference to Management Comments</b>  | <b>Recommendation</b>  |
|--|--|--|
| (a) Although assets and liabilities and revenues and expenses should not be set off except when required or permitted by the standard according to the paragraph 48 of Sri Lanka Public Sector Accounting Standard No.01, the credit balance of Rs.7.77 million in Hospital Charges debtor accounts as at 31 December 2022 from the debit balances of the Hospital Charges debtor accounts, the debit balance of Rs.0.39 million in the Trade Creditors from the Credit balance of the Trade Creditors, Rs.172.45 million incurred for free medical treatment for hospital staff and Rs.60.49 million incurred for free medical treatment for religious priests and others from hospital fee income were set off and had been stated in the financial statements. Although this had been pointed out in previous years, the necessary corrections had not been made. | That the errors that has been occurred in the debtor and creditor sub-accounts since the year 2016 and the errors in the credit letters of debtors as well as the errors in the Goods Received Note (GRN) of the creditors were corrected in the Accpac accounting system where hospital accounting is carried out, that these mistakes will be corrected in the future as debtor accounts will be processed in the Systolic system, the cost of the medical treatment of hospital staff will be included as a staff expense in the future and that the amount spent for the treatment of religious priests will be shown as a common expense. | Sri Lanka Public Sector Accounting Standards should be followed. |

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| (b) | Although Rs.3,681.26 million cost of fixed assets has been fully depreciated, it has being continued to be utilized due to annual review of useful lives for non-current assets were not done in accordance with paragraph 65 of Sri Lanka Public Sector Accounting Standard No.07. The estimated error that was occurred accordingly had not been revised in accordance with Sri Lanka Public Sector Accounting Standard No.03. | About 30 percent of this work has currently been corrected and this work will be completed as soon as possible by working with the officers of the Division of Biomedical Engineering Services of the Ministry of Health since the hospital does not have the necessary expertise to evaluate the remaining medical equipment. | Sri Lanka Public Sector Accounting Standards should be followed. |
| (c) | The capital grants of Rs.44.9 million received to Sri Jayewardenepura Hospital for the year 2022 had not been disclosed in the financial performance statement according to Sri Lanka Public Sector Accounting Standard No.11.   | Answers had not been provided.   | Sri Lanka Public Sector Accounting Standards should be followed. |

### 1.5.2 Accounting Deficiencies

| <b>Audit Observation</b>   | <b>Management Comment</b>   | <b>Recommendation</b>                         |
|--|---|---|
| (a) The cost of Rs.72.47 million for the free medicines given to the staff of the hospital had been deducted from the Materials and Consumables expenses of the year under review without stating under staff expenses.  | That the cost of medical treatments for hospital staff will be corrected in the future.                                   | Action should be taken to correct this error. |
| (b) The revaluation reports related to assets i.e. land and building in the year 2022 had been received on 09 October 2022 and 25 October 2022 by the hospital. Depreciation and revaluation reserve is understated by Rs.25.34 million due to non-depreciation for the period up to the date of revaluation since the hospital accounted the revaluation values from 01 January 2022. Also, details regarding the revaluated assets had not been disclosed in the financial statements. | That the action will be taken to correct.   | Action should be taken to correct this error. |
| (c) Due to the fact that the revaluated assets were not revaluated as of the date of the valuation letter and were revaluated from 01 January 2022 and, the depreciation of  | That it will be rectified by making adjustments to the retained earnings during the preparing of the 2023 final accounts. | Action should be taken to correct this error  |

the assets was calculated based on those values, depreciation for the year had been overstated by Rs.210.02 million and profit had been understated by the same amount in the financial statements.

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| <p>(d) The size of the land was considered to be 9.8047 hectares during the revaluation of the land belonging to the hospital for Rs.4,845.50 million. Since the total area of land owned by the hospital is 10.0229 hectares, 0.2182 hectares of land had not been revaluated.</p>  | <p>That the land will be reassessed to the land size mentioned in the correct plan.</p>  | <p>Action should be taken to evaluate the entire land.</p>   |
| <p>(e) The hospital board did not identify a specific and proper method of accounting for the charges of professional fees and refunds during the year under review and the professional fee income of Rs.404.57 million was credited to the professional fee payable account and the professional fees of Rs.377.29 million paid in cash during the year under review had been debited to that account. Rs.50.83 million from the hospital fee income account on 31 December 2022 has been credited to the professional fee payable account without specifically identifying the hospital fees and professional fees of the patients leaving the hospital on the credit letters. As well as, action had not been taken to settle the balance of Rs.3.61 million of the professional fee payable account since 1998 or to recognize it as an income.</p> | <p>That the Professional fees will be included in the hospital bill from October 2022, that the professional fees of discharged patients can be accurately identified by Credit Note since Systolic system and Accpac account system have been integrated (Link) and professional fee balances from 1998 will be identified as an income.</p>  | <p>A policy regarding the charging and refunding of professional fees should be prepared and the charges and payments should be reflected in the financial statements accordingly.</p> |
| <p>(f) Trade creditors had been written off by more than Rs.3 million in the financial statements as on 31 December 2022 due to the facts that the cancellations of GRN in the Systolic system are not updated in the Accpack computer system, the GRN is recorded twice in the Accpack computer system and the values are recorded differently, the payments are not matched to the individual creditor balances even though the payment is made from the Accpack computer system and the fines and late adjusted payments was not done in</p>  | <p>That the corrections can be made only through Debit Note and Credit Note in the Accpac balance System and, journal vouchers cannot be used for this purpose. That these adjustments have been made through a previous year's adjustment account and Rs.160,365 balance of that previous year's account will be corrected in the future.</p> | <p>This error should be corrected.</p>   |

the balances of creditors. The net balance of Rs.160,365 had been adjusted to the accumulated profit and loss account without preparing the journal vouchers for these corrections of errors and without making the relevant adjustments through the previous year adjustment account.

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| (g) | According to the accounting policy on debtors, although 05 percent provisions should be made for bad debts according to the accepted method, the profit of the year under review had been overstated by Rs.7.89 million due to under-calculation of provisions of the bad debt by Rs.7.89 million with non-compliance to that.                                     | That this difference will be adjusted to the retained earnings in the preparation of the accounts for the year 2023.  | This error should be corrected.  |
| (h) | Regarding 05 individual debtor balances of Rs.18.97 million related to the period from 2016 to 2021, that amount had not been recovered or removed from the accounts on the basis of appropriate approvals.  | That the amount will be recovered or written off.   | These amounts should be recovered or written off on appropriate approvals. |
| (i) | Although the hospital fees amounting to Rs.19.96 million in the debtor balance which should be charged from the patient from 2016 to 2019 had been deducted from the accounts during the year under review, related board approval was not submitted to the audit.   | That the value from the year 2016 will be presented to the Board of Directors and act on the decision of the Board of Directors.  | Board approval should be sought.   |
| (j) | Mobilization Advances Rs.17.99 million has been shown as work in progress in the financial statements and not as the advances. Although Rs.9.48 million of total mobilization advance from this amount related to 02 toilet rehabilitation projects in the years 2018 and 2020 was settled, the related adjustments had not been made in the financial statements. | That this mobilization advance was carried out in the work-in-progress schedule only during the presentation of the final accounts and that the amounts of Rs.1,152,547 and Rs.8,326,769 that have been settled will be adjusted. | Action should be taken to correct this error.                              |
| (k) | Although the audit report of last year indicated the overcapitalizing of female hostel building by Rs.64.36 million and over removal of Rs.72.95 million from the work in progress account in the year 2021, corrections had not been made in the year under review.   | That the adjustments will be made in the financial statements of the year 2023.   | Action should be taken to correct this error.                              |

### 1.5.3 Unreconciled Control accounts or Records

| <b>Audit observation</b>  | <b>Management Comment</b>  | <b>Recommendation</b>   |
|---|--|---|
| There was a difference of Rs.42.02 million according to the financial statements and lists, documents and computer reports submitted to the audit regarding 04 subjects i.e. creditors, debtors, disaster loans and disaster loan interest as of 31 December 2022, and the reasons for the difference were not explained. | In order to identify these differences and corrections have been initiated from the year 2023. That the officers in charge of the subject have been instructed to find out the reasons for the changes in the reports of the disaster loan balances. | The data included in the financial statements should be reconciled with the relevant schedules, lists and computer reports. |

### 1.5.4 Unavailability of written Evidence for Audit

| <b>Audit Observation</b>  | <b>Management Comment</b>   | <b>Recommendation</b>  |
|---|---|--|
| Since audit evidences such as the age analysis, approvals of board of directors and supporting documents etc. regarding a total of Rs.1,025.06 millions of hospital fees debtors, trade creditors and service charges related to 03 accounting subjects as on 31 December 2022 were not submitted to the audit, It could not be satisfactorily observed or verified or accepted on audit. | That it will be found out whether the deadlines can be changed as requested and give an answer.<br>That the relevant decision of Board of Directors will be found and submitted to the audit. | Arrangements should be made for submission of confirmations such as age analysis, supporting documents and Board approval for audit. |

## 1.6 Receivable and Payable Accounts

### 1.6.1 Receivables

| <b>Audit Observation</b>   | <b>Management Comment</b>   | <b>Recommendation</b>                                      |
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| Although the amount to be paid for the Pharmaceutical and other surgical materials purchased by the hospital board from 2010 to 2015 and from 2016 to 2021 amounting to Rs.297.23 million and Rs.401.45 million respectively and, the amount of Rs.748.55 million due from the Ministry for the heart surgeries performed for the patients referred to the hospital by the Ministry of Health had been set off in the previous year based on the decision of the Board of Directors, the approval of the Treasury had not been obtained for the set off of this amount. Also, the amount of Rs.8.93 million spent by the hospital on behalf of the University College in the years 2017, 2018 and 2019 which | That the relevant offsets were made under the approval of the Board of Directors and that this amount will be recovered in the future after discussion with the Treasury. | Arrangements should be made to obtain a Treasury approval. |

should be collected from the Ministry of Health had been set off against the amount to be paid to the Medical Supplies Division during the year without the approval of the Treasury.

#### 1.7 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

| Reference to the Laws, Rules and Regulation                              | Non-Compliance  | Management Comment   | Recommendation   |  |
|--|---|--|--|--|
| (a) Establishment Code of the Democratic Socialist Republic of Sri Lanka | (i) Sections 2.1 and 2.2 to 2.6 of Chapter II   | Although the recruitment procedure should be prepared and the relevant approval for the said procedures should be obtained following the procedures specified in the Establishment Code, the recruitment procedures had not been prepared and approval had not been obtained by the date of this report. | That a committee consisting of external officers has been appointed by the institution to resolve the Human Resource issues and that it has been decided to prepare the recruitment procedure based on the information provided by that committee after the resolution of the Human Resource issues. | It should be act as per the provisions stated in Establishment Code of the Democratic Socialist Republic of Sri Lanka. |
| (ii) Section 5.8 of Chapter XIX  | Water and Electricity charges should be paid by the officer while using government houses. However, Rs.200 per person per month as water charges in the nursing hostels irrespective of the consumption of the residents and Rs.25 per person per month for the changing room had been charged and Electricity charges had not been charged from the residents. | That the meters will be installed to measure residential consumption for Water and Electricity and charges will be made accordingly.   | It should be act as per the provisions stated in Establishment Code of the Democratic Socialist Republic of Sri Lanka.   |  |



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

- (i) Sections 103 and 104 of the Financial Regulations
- Although the investigations should be conducted to determine those responsible regarding the losses caused by vehicle accidents, arrangements had not been made to identify the responsible parties as per the Financial Regulations.
- That the necessary work related to the accidents that happened in the year 2019 has not done by the administration in that period and that the necessary work is being done to identify those responsible for the losses regarding the accidents that have happened at present by conducting investigations according to the Financial Regulations 103 and 104.
- Financial Regulations should be followed.
- (ii) Paragraphs 395 (b) and 395 (c) of the Financial Regulations
- Although a reconciliation statement for bank accounts for each month should be prepared before the 15th of the following month, the reconciliation statement in relation to the main current account of the hospital for the month ending 31 December 2022 had been prepared on 21 April 2023.
- That it had to be checked further since there were differences in the preparation of the bank reconciliations and therefore the bank reconciliation statements could not be submitted to the audit on the scheduled date.
- Financial Regulations should be followed.
- (c) Guideline 5.2 of the Pharmaceutical and Medical Equipment Procurement Guidelines 2007
- In case of purchases other than emergency and essential purchases, although the Technical Evaluation Committee should consist of a representative of the Ministry of Health, a representative of the State Pharmaceutical Corporation, two consultants with minimum relevant expertise and a representative nominated by the Treasury, the members had not been
- It has been directed to the Ministry of State Finance to seek advice from the Additional Secretary (Procurement) of the Ministry of Health regarding the application of this rule for future procurements and to submit this matter to the Board of Directors and, that it will be act according to those instructions in the future.
- Pharmaceutical and Medical Equipment Procurement Guidelines 2007 should be followed.

appointed accordingly in the procurement of surgical equipment worth Rs.1.96 million and of X-Ray System equipment worth Rs.9.76.

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| (d) | Letter No.DMS/1758-Vol.1 dated 10 October 2016 of Department Management Services  | Although the proposals to restructure the approved cadre should be prepared and forwarded to the National Salaries and Cadre Commission and the approval of the Department of Management Services should be obtained, it had not been act accordingly by 31 December 2022. | That a committee consisting of external officers has been appointed to resolve the Human Resource issues and that it has been decided to prepare the recruitment procedure based on the information provided by that Committee after the resolution of the Human Resource issues. | The letter of Department of Management Services should be followed. |
| (e) | Public Finance Circular No.PFD08/2019 dated 17 December 2019  | Although the purchase made under the Shopping procurement should be done through e-procurement system from January 2020 by the entity, it had not been done accordingly by the date of this report.  | That it will be expected to do the necessary arrangements in the future.  | Public Finance Circulars should be followed.                        |
| (f) | Guideline 2.3 of the Guidelines for Corporate Governance in Public Enterprises Circular No.01/2021 dated 16 November 2021 | Although a Strategic Plan should be prepared to achieve the objectives of the Act, such plan had not been prepared in relation to the year under review.   | That the first draft of the three-year Strategic Plan has been prepared and completed.  | Public Enterprises Circulars should be followed.                    |

## 2. Financial Review

### 2.1 Financial Results

The operating result of the year under review was a profit of Rs.247.23 million and the inconsistently loss of the previous year was Rs.254.19 million. Accordingly, an increase of Rs.501.42 million was observed in the financial result. This growth was mainly due to the increase in income of Rs.730.78 million in the year under review.

**3. Operational Review**  
**3.1 Management Inefficiencies**

The amount paid to the doctors and other staffs as professional fees related to the paying wards in the period from 2020 to 2022 and the income received by the hospital from those wards are shown in the table below.

|                          | <b>2020</b>        | <b>2021</b>        | <b>2022</b>        |
|--------------------------|--------------------|--------------------|--------------------|
|                          | -----              | -----              | -----              |
|                          | <b>Rs.</b>         | <b>Rs.</b>         | <b>Rs</b>          |
| Professional fee charged | 363,441,668        | 363,748,356        | 514,552,338        |
| Income from paying wards | 232,400,926        | 284,583,346        | 342,927,187        |
| <b>Total</b>             | <b>595,842,594</b> | <b>648,331,702</b> | <b>857,479,525</b> |

The following observations are made in this regard.

| <b>Audit Observation</b>   | <b>Management Comment</b>  | <b>Recommendation</b>   |
|--|--|---|
| (a) Professional fees for surgeries and tests performed out of office hours using the resources of the hospital had been determined as per the discretion of the specialist doctors without any standardized standard or specific policy and, the administration had not taken actions to establish standardized standard in the hospital for the determination of these fees. | At the time of the Private Health Services Regulatory Council (PHRC) which regulates professional fees tried to prepare and implement a system to control the price of these fees, this was prevented by a WRIT order by a group of people who opposed it and after the trial is over, it will be implemented according to that decision.                              | A billing system that made as per the standardized standard should be implemented for surgeries and tests.  |
| (b) Rs.6.66 million had been charged as professional fees for 79 surgeries performed for patients in paying wards of General theatre in the year 2022 apart from the decisions of the Cabinet and the Board of Directors.  | That a direct coordination system between the theatre and the Accounts Division has been prepared and the regulation of these activities has been commenced.   | Actions should be taken according to the decision of the Cabinet and the Board of Directors.  |
| (c) 10 external doctors who did not belong to the hospital staff had performed surgeries using the hospital resources in the year 2022 and these doctors had charged Rs.23.78 million as professional fees from the patients in the year 2022. Only 0.15 percent service charge had been charged to the hospital out of that amount. The                                       | Although the relevant service fee is charged as a management expense from the professional fees, other expenses incurred for this are collected from the patient and that the hospital charged 35 percent of profit margin for that and, regarding the specialist doctors who come externally, it is being presented to the board of directors and are working to take | Appropriate approvals should be obtained in gaining the services of external doctors and arrangements should be made to enter into an agreement regarding the |

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|   | <p>approvals related to the private employment of external doctors in the hospital and the charging of professional fees was not submitted for audit. It was observed that in the absence of an agreement with those doctors, the responsibility of the patient is transferred to the hospital.</p>   | <p>approval for that.</p> <p>responsibilities.</p>   |
| <p>(d) Rs.110.28 million had been paid as professional fees for the Assistant Doctors and other Staff in the year 2022 as per the decision of the Board of Directors without approval of the Cabinet.</p>   | <p>That it is necessary for a specialist doctor to obtain the services of another support team out of the duty hours during the operation, that the overtime payment is not made from the government fund for this time and the related expenses are reimbursed by the Out of Pocket method and the patient agrees to this charge in writing.</p> | <p>Cabinet approval should be obtained.</p>  |
| <p>(e) The total service fee credited to the board's income was only Rs.773,312 out of the total professional fees of Rs.514.55 million paid to the staff in the year 2022. The hospital administration had not made necessary revisions to the service fee of 0.15 percent of the professional fee which has been in force since 1999.</p> | <p>Although the relevant service fee is charged as a management expense from the professional fees, other expenses incurred for this are collected from the patient and that the hospital charged 35 percent of profit margin for that.</p>   | <p>The hospital should develop a system to recover the administrative expenses incurred for professional fees.</p> |
| <p>(f) Pay As You Earn (PAYE) tax had not been charged on professional fees paid back to specialists and other support staff and, the total PAYE tax that had not been deducted in such for the years 2014, 2015 and 2016 was Rs.108.52 million.</p>  | <p>An appeal is pending in the Tax Appeals Commission in this regards and further action is expected to be done according to the decision given there.</p>  | <p>After receiving the decision of the Tax Appeal Commission, it should be act accordingly.</p>                    |

### 3.2 Operational inefficiencies

| <b>Audit Observation</b>   | <b>Management Comment</b>                                | <b>Recommendation</b>         |
|--|--|-------------------------------|
| <p>(a) The following facts were observed during the inspection of the use of 04 instruments in the Biochemistry lab for testing patient samples.</p> |  |                               |
| <p>(i) Regarding the Fully Automated chemistry Analyser-Abbott Architect C8000 device, the</p>   | <p>In relation to the Abbott Architect C 8000 device</p> | <p>A suitable arrangement</p> |

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| <p>data in the device had not been retrieved to another data storage unit (backup) once for a certain period of time taking into account the daily use.</p>   | <p>mentioned under this number, although its data storage capacity is about 50,000, that all the test data performed by that machine is transferred to the hospital data storage system at that moment. That the necessary data can be obtained through the hospital information system.</p>   | <p>should be made to store the data.</p>  |
| <p>(ii) Also, since the laboratory could have entered, modified and deleted data using the ADMIN password instead of the MLT password to gain access to this equipment, it was not possible to check how many tests had been performed using the equipment.</p>   | <p>That it will be expected to do system updates so that ensure all tests are done only through the Barcode method in the future.</p>  | <p>Internal controls should be set up using passwords to access the device.</p>                           |
| <p>(iii) The hospital did not have the information to confirm that, on which dates the reagents were issued for the equipment, how many tests were done with the previous reagent at the time of issuing a new reagent, if it was not possible to take the expected amount of tests from the reagent, what are the reasons for that and those are monitored by the hospital management due to the fact that the reagent and other consumables issuing book maintained by the laboratory was not updated during the year under review.</p> | <p>That the reagents are released by the SYSTOLIC system, that the number of tests that have been done by now can be obtained from the system, accordingly, that the number of tests that have been done from one set of reagents can be obtained from the system, and that the hospital management has ability to obtain the information required to measure the performance from the SYSTOLIC data system.</p> | <p>Documents related to the issuance of reagent and consumable goods should be updated and monitored.</p> |
| <p>(iv) The data had been entered into the information system in 11 cases without a specific time frame in order to confirm the correctness and timeliness of the information provided by the established information system of the hospital.</p>   | <p>That a circular has been issued that the consumption of consumables in all departments of the hospital should be entered into the computer system on the 25<sup>th</sup> of every month, and that the instructions have been given to act according to the said circular.</p>   | <p>Entering data into the information system should be done within a specific time frame.</p>             |
| <p>(v) 203 sets of reagents were used related to the 27 types reagents that is use for 27 types of tests performed by the Fully Automated Chemistry</p>   | <p>That the monthly data reports about the tests conducted are prepared based on the</p>   | <p>All equipment should be used in maximum and</p>  |

- Analysers-Abbott C8000 device in the year 2022 as per the hospital information system and their cost was Rs.16.19 million. Although the number of tests that can be done is about 291,164 according to the standard practice, the number of tests that were done was 127,804 or a minimum percentage of 44 percent of the standard practice according to the monthly statistics sheets. The management of the hospital had not focused on the effective utilization of laboratory equipment through the provision of outpatient services.
- information stored in the machine. efficient manner.
- As suggested by the audit query, a suitable method is being looked into to increase the memory capacity of the machine to about 200,000-300,000 data.
- (b) As per the Extraordinary Gazette notification No.2080/22 dated 16 July 2018, an amount of Rs.2.30 million was paid by the Sri Jayewardenepura General Hospital to the supplier as arrears of cleaning allowances without obtaining receipts that, it has been paid to the Employee Trust Fund for the period from August 2018 to October 2018 regarding the increased allowances paid by the government to the employees of the cleaning services industry.
- That the officer who certified the payment of Rs.2,304,335 to a cleaning supplier has retired from the Accounts Division.
- As documents were not submitted to confirm the payment, arrangements should be made to charge the relevant company.
- (c) The facts observed during the examination of the files related to the legal proceedings related to the cases of the hospital are mentioned below.
- (i) A preliminary investigation was conducted in 2012 following the disclosure of a fraud related to the professional fees to be paid to specialists in 2008 and 2009 and, according to the report of the relevant disciplinary investigation, although it was informed that in case of failure to pay the amount of Rs.1.05 million defrauded within one month, judicial action to recover the said amount will be taken, this amount had not been collected by the end of the year under review. The Nugegoda District Court case in 2015 was filled after a delay of 02 years. Although the Attorney General's Department had sent letters to the head of the institution on 2020/05/15, 2020/06/24, 2020/08/12 and 2021/04/16 to submit relevant evidence, it had taken more than a year to provide information.
- That the reason for the delay in filing the case cannot be found in the file, that it appears that this case was assigned in the year 2015 when perusing the file and that there was no time bar as the case was filed within the prescribed period.
- The institution should make arrangements to do the work without delay in relation to judicial matters.

- (ii) An officer who worked as a Management Assistant in Sri Jayewardenepura General Hospital was dismissed from service on 24 July 2013 after the preliminary investigation and disciplinary inquiry conducted in connection with money fraud. According to the case filled by the officer in Homagama Labour Tribunal and the order of the appeal case filled by the hospital in this regard, it had been informed that the applicant should be reinstated in the same position in which he was serving without service fragmentation with back payment of Rs. 1.98 million. Thus, the hospital had to incur an idle expense of Rs.1.98 million as salaries for a period of suspended service.
- That the decision in this case has been given that the employee will be reinstated in the same position, at the current salary scale, with back payment of Rs.1,989,309, without service fragmentation.
- The employer has to employ the applicant with back wages according to the Court order.
- Preliminary investigation should be done properly.
- (d) Although the building built with the purpose of use to maintain the works of administration of the hospital was taken over by the hospital on 08 May 2021, it remained idle without being used for the intended purpose up to the date of this report.
- That the ground floor is currently being used for the works built on the original estimate, furthermore plans have been prepared to use the first and second floors for the works mentioned in the original design and, if necessary, the approval of the National Planning Department has been received for use for the Primary Care Center.
- The building should be effectively used for approved purposes.
- (e) The following facts were revealed during the audit regarding the payment of additional duty allowances, overtime and holiday allowances to the Medical Staff, Nursing and Paramedic Service Staff.
- (i) Maintaining the salary gap of 35 percent between different grades of Sri Jayewardenepura Hospital and parallel grades of the Ministry of Health or parallel positions in other departments had been decided as a general policy by the Cabinet Decision No.96/1347/120/143 dated 17 July 1996. Additional duty allowances and overtime allowances paid to Medical, Nursing and Paramedic Service officers will be increased by 35 percent higher than the allowance provided by the circular and Rs.143.55 million, Rs.168.45 million and Rs.159.21 million had been paid in the years 2020, 2021 and 2022 respectively
- That 35 percent is added to the rates mentioned in the circular and the hourly rate of overtime is decided according to the approval of the Board of Directors.
- Arrangements should be made to obtain the approval of the relevant authority.

under the General Circulars of Ministry of Health according to the Board of Directors' Decision No.402:02:17 dated 15 March 2018. Information was not submitted to the audit that the approval of the Cabinet or the approval of the Treasury had been obtained in this regard.

- (ii) The Medical Staff had also charged Rs.5.45 as professional fees for performing surgeries in private service during the period which extra duty allowances was received on comparison of the record related to the surgeries in the paying wards and payment vouchers of extra duty of the Medical Staff maintained in the general theatre which was conducted the sample audit. That a direct coordination system has been prepared between the Operating Room and the Accounts division and the regulation of these activities has been started and accordingly, this process will be done in a formal manner in the future. This amount should be credited to hospital income.
- (iii) During the sample audit regarding the payment of leave allowances to the Medical Staff, it was observed that some Medical Officers had charged professional allowances during the period when they received days pay allowances. According to the surgery record of the paying wards of the general theatre which was subjected to sample examination, the amount of professional allowance charged by 07 medical officers in such was Rs.2.96 million That the problems can be solved in the regulation mentioned above. This amount should be credited to hospital income.

- (f) The overall performance of the hospital in the year under review and in the last 05 years was as follows.

|  | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
|--|-------------|-------------|-------------|-------------|-------------|
| Number of beds in the hospital               | 1,061       | 1,065       | 1,072       | 993         | 1008        |
| Bed utilization (%)                          | 66          | 69          | 52          | 54          | 55          |
| Number of patients admitted                  | 58,849      | 62,466      | 45,976      | 39,916      | 42,633      |
| Patient participation in clinics             | 182,170     | 190,716     | 138,502     | 136,085     | 153,143     |
| Number of Patients came to Patients Division | 22,992      | 23,010      | 16,307      | 13,337      | 19,537      |
| Total number of deaths                       | 745         | 847         | 594         | 813         | 721         |
| Number of different tests performed          | 1,507,104   | 1,663,527   | 1,244,598   | 1,241,800   | 1,251,270   |
| Number of different surgeries performed      | 15,231      | 15,347      | 12,388      | 11,109      | 13,100      |



The following observations are made in this regard.

- |       |  |   |   |
|-------|--|---|---|
| (i)   | The number of hospital beds in the year 2022 had decreased by 05 percent and bed utilization by 11.5 percent compared to 2018. The number of beds in 2022 had increased by 15 percent compared to 2021 and bed utilization had increased by 01percent. | That the number of beds has been reduced in this way because it was necessary to increase the distance between the beds during the Covid pandemic.  | A program that can increase the number of patients coming to the hospital should be introduced and implemented. |
| (ii)  | A decrease in the progress of tests and surgeries performed by the hospital was observed and an increase of 9,470 tests and 1,991 surgeries was observed in the year 2022 as compared to the year 2021.  | Agree with this observation.  | A program that can increase the number of patients coming to the hospital should be introduced and implemented. |
| (iii) | The number of patients admitted to the hospital, the number of patients who visited clinics and the number of patients who visited the Out Patient Department had grown by 07, 13 and 46 percent respectively compared to the year 2021.               | The number of patients who came to the hospital was decreased due to the Covid pandemic and the fuel crisis. Nevertheless, that there has been an increase in patients and clinical patients admitted in 2022 compared to 2021. | A program that can increase the number of patients coming to the hospital should be introduced and implemented. |

### 3.3 Procurement Management

| <b>Audit Observation</b>   | <b>Management Comment</b>   | <b>Recommendation</b>  |
|--|---|--|
| (a) The contract for the year 2022/2023 had been awarded for the amount of Rs.7.25 million to the private company that has been awarded the contract for garbage disposal for the year 2020/2021 for the amount of Rs.4.65 million. The following facts are observed in that regard. |   |  |
| (i) Although the Public Health Inspector has recognized that the average amount of mixed garbage disposed per day in the hospital is between 400-500 kg, It was observed that a lorry with a capacity of 5,000 kg was coming to the  | It has been found that this process causes financial damage to the hospital. In this regard, the Maharagama Divisional Secretary, the Director of the Hospital, and the officers of the | The amount of garbage collected daily should be studied and the requirement should be determined and |

- hospital every day. Accordingly, the hospital had incurred a loss due to not identifying the need of the hospital by studying the daily amount of garbage collected in the hospital before calling for tenders and done the procurement accordingly.
- Maharagama Divisional Council discussed a method of garbage disposal and after the decisions made in that discussion are implemented, It will be expected to reach a final agreement regarding the garbage disposal.
- the contract should be offered.
- (ii) Although the lorry was supposed to arrive at the hospital within the stipulated time to dispose the garbage, as per the sample inspection, it was observed that it did not arrive within the stipulated time for 70 days and therefore the monitoring process as per 7(b) of the agreement had not been taken place.
- After informing to come and perform that duty at the stipulated time i.e. between 3.00-6.00 p.m. by the hospital, this matter has been corrected by now up to some level.
- Agreements should be followed and monitoring should be done.
- That these activities are properly carried out under the supervision of a security officer and the Public Health Inspector on duty during the loading of garbage.
- (iii) As per guideline 5.4.8 of the procurement guidelines, although a performance guarantee valid for 28 days after the expected date of completion of the contract should be submitted, the performance bond submitted had not covered the relevant period.
- That it is accepted that there has been an omission. That the arrangements have been made to pay attention to this in future tenders.
- Procurement guidelines should be followed.
- (b) According to the Security Services agreement reached with a private company dated 30 December 2020 in relation to the year 2020/2021, it had been agreed to provide services for a period of one year from 01 November 2020 at a monthly contract value of Rs.2.46 million with VAT. The following observations are made in this regard.
- (i) The Security Service had been provided for a period of 14 months by extending the period from time to time without annual procurement and the arrangements had not been made to enter into service contracts on 02 occasions as required.
- The procurement related to this had started about 04 months before the end of the existing contract and the existing contract had to be extended due to the delays in getting the bid document recommendations and bid evaluation and the necessary
- Arrangements should be made for annual procurements and entering in to the contracts.

instructions have been given to prevent such omissions by now.

- (ii) According to clause 2(c) of the service agreement, although it is stated that the service provider should submit a copy of the receipt of payment to the Employee Provident Fund and the Employee Trust Fund for the previous month while submitting the monthly bills, the payments had been made without obtaining the relevant confirmations.
- That the certificate confirming the payments to the Employee Provident Fund and Employee Trust Fund from the relevant service provider will be brought and submitted for audit.
- It should be act according to the agreement.
- (iii) As stated in the 2021/2022 service agreement, the number of employees to be employed during the day time is 42 and the number of employees employed during the day time in 07 months of the year 2022 was between the ranged of 21 and 38. Accordingly, it was problematic whether a proper security service would be received from the relevant company as expected.
- That the fines are charged from the amount paid monthly for the low number of employees and that the instructions are constantly given to maintain the required number of employees.
- It should be act as per the agreement.
- (c) The hospital cleaning service of Sri Jayewardenepura General Hospital for the years 2021/2022 and 2022/2023 was assigned to two private companies. The following observations are made regarding the running of cleaning services in the hospital by these companies, obtaining this service by the hospital and paying for it.
- (i) Although it has been included as a condition of the contract in the service contracts that, all cleaning chemicals used in the providing of cleaning services should have been approved by the Sri Lanka Standards Institute or the Industrial Technology Institute and their quality should has been confirmed, It had not been evaluated whether the cleaning chemicals agreed to be provided by the bidders were in accordance with Sri Lanka Standards (SLS) and whether the prices offered by
- It is accepted that attention was not paid to this at the time of calling for tenders and that the samples supplied during the execution of tenders have been forwarded to ITI for the relevant inspection. That the necessary instructions have been given for considering the matters included in the tender conditions in future tenders.
- All cleaning chemicals used should be approved by Sri Lanka Standards Institute or Industrial Technology Institute.

the bidders for the said cleaning chemicals were reasonable, due to not being requested the laboratory test reports that are required to be verified said requirement by the tender documents.

- (ii) Although the quality of the cleaning chemicals should be periodically verified as per the contract since minimum criteria for cleaning chemicals to be supplied by the suppliers have not been established, it had not been done accordingly. According to the laboratory test reports issued by the Industrial Technology Institute in relation to 06 cleaning chemicals, 05 chemicals had been confirmed to be substandard. The amount of Rs.665,639 paid by the hospital to the supplier for the said chemicals for the contract year 2021/2022 was observed as an uneconomic payment and for the contract year 2022/2023, the chemical was obtained without quality checking and Rs.338,900 had been paid for the months of December 2022 and January 2023.
- (iii) The stock of cleaning chemicals received by the hospital on a monthly basis was kept in the custody of the Public Health Inspector of the hospital and the institution of the cleaning service providing and during the physical inspection conducted on 25 January 2023 in this regard, there were differences in the range of 05 to 160 litres between the amount of stock shown by the Computer System of the hospital on that day than the amount of stock held by the hospital.
- (iv) Although the cleaning chemicals and equipment provided by the supplier should be issued to the Heads of the Division as per the requirement of each
- It is accepted that attention was not paid to this at the time of calling for tenders and that the samples supplied during the execution of tenders have been forwarded to ITI for the relevant inspection. That the necessary instructions have been given for considering the matters included in the tender conditions in future tenders.
- That the instructions have been given to the relevant officers to properly update the Computer System related to cleaning materials and to prevent occurring such stock balance inconsistencies again.
- These cleaning materials are issued by the main stores only to the Heads of the hospital Departments and the main stores
- The terms of the agreement should be followed.
- Proper internal control should be maintained regarding stock of chemicals.
- The terms of the agreement should be followed.

department by the Store Keeper of the hospital as per the terms of the contract (f), without act accordingly, the cleaning materials were issued to the warehouse of the supplier in the hospital without any basis. The remaining stock in the warehouse of the supplier was not taken into account in there. A stock of 245 litres of glass cleaner related to the previous contract year was in the warehouse of the supplier due to this and it was observed that the cleaning chemicals in excess of the monthly requirement were in stock. And there was a risk of committing various irregularities due to the facts that allowing monthly supplies of cleaning chemicals and equipment to be supplied to the hospital at the discretion of the supplier, having stock of cleaning chemicals that is not disclosed by the computer system of the hospital and allowing cleaning chemicals to be stock in excess of the monthly requirement without proper supervision.

releases the cleaning materials to the Public Inspector after the division heads of the hospital order brooms and mops etc. through the computer system and chemicals to the supplier's warehouse according to the need is issued by Public Inspector. That the main stores will consider the stock in the main stores and the orders of the division heads for future orders. That the instructions have been given to the relevant officers to deal with the cleaning materials with proper supervision.

(d) The Clinical Waste Incinerator purchased from a private institution on 03 November 2016 for an amount of Rs.23.54 million including VAT had been used by a private institution and hospital staff to incinerate hospital clinical waste from December 2016 to the present. The following facts were revealed during the examination of the use and maintenance of this machine.

(i) The cost of the machine had not been evaluated including the cost of maintenance service while purchasing the machine indicating that the maintenance work of the machine can be done at a low cost and efficiently by the maintenance staff of the hospital, and the lowest price tender of Rs.26.35 million including maintenance services up to 06 years after the 02 years warranty period was rejected due to the technical evaluation committee

That it is acknowledged that the recommendations of the technical committee and approvals of the procurement committee in this initial tender have not been effectively applied and accordingly, the service agreement with the supplier has been executed due to insufficient hospital staff and lack of other options and, that Rs.10 million expected to save to the hospital

Maintenance service cost should also be evaluated while calculating machine cost and procurement decisions should be made as not to disadvantages to the hospital.

recommended to purchase only the machine without a maintenance service agreement. The hospital had spent a total of Rs.4.01 million as service fees as of the audited date of 10 February 2023 as per the service agreement reached. Accordingly, the decision of the technical evaluation committee to save Rs.10 million to the hospital within a period of 06 years by not adding the maintenance costs to the price of the machine while purchasing the machine had not been effective. could not be saved.

- (ii) Clinical Waste Incinerator machine (Incinerator) burns clinical waste daily in the hospital and ash had been disposed in a way that is harmful to the hospital environment without proper method at present due to the concrete pits where the remaining ash is disposed are already filled completely. There may be a health threat in the hospital premises during the upcoming rainy season due to the accumulation of removed ash from the machine outdoors and, due to this, it was also observed during the audit that there is a risk of losing the permission to operate the waste incinerator during the renewal of the Environmental Protection License (EPL) obtained from the Central Environmental Authority on the violation of conditions. Even though the relevant institution has repaired the above-mentioned incinerator (Clinical Waste Incinerator) since is not functioning properly, that it has not yet been successful, therefore, the incinerator remains a large amount of half burnt parts containing carbon extra to the ashes because the clinical waste is not incinerated properly. That, therefore the filling of Ash Pit has accelerated and disposal of the ash has become problematic. Proper arrangements should be made to dispose the waste in a manner that does not harm to the environment.
- (e) The contract was awarded on 09 November 2016 for the construction of a three-storied building for the maintenance of offices for the hospital's worksite and staff of the garden cleaning for an amount of Rs.87.02 million (without VAT) and 12 containers were rented for an amount of Rs.257,000 per month due to the demolition of the building where the worksite was located at the beginning of the construction of the building. Due to the non-completion of the construction of the building by April 2018 as per the As the contract was not completed within the stipulated time, that the rental period of the container had to be extended and that the several related containers have been released by now. Steps should be taken to complete the construction work within the stipulated time.

agreement, an additional rental expense of Rs. 14.39 million had to be incurred for 56 months by 31 December 2022.

### 3.4 Human Resource Management

| Audit Observation   | Management Comment   | Recommendation  |
|---|--|---|
| (a) Rs.1.19 million as allowances and Rs.2.98 million as salary in relation to an appointment of the officer to cover up duties on a temporary basis from 28 July 2021 as per the decision of the Board of Directors without the approval of the Public Service Commission for the vacant post of Deputy Director contrary to Section 13.7 of Chapter II of the Establishment Code had also been paid. A duty list of additional duties assigned in relation to the payment of Rs.2.69 million as additional duty allowances was not submitted to the audit. It had been employed for more than 1 ½ years by now and arrangements had not been made to fill the vacancy on a permanent basis until the audited date of 24 March 2023. | Although the letter of the Ministry of Health states that the post of Deputy Director is 'Covering Up', that this officer is employed on a full-time basis for the regular duties of the post of Deputy Director. That the acting allowance will be suspended and it will be recovered from the date of payment and, a permanent employee will be recruited for the position of Deputy Director. | Arrangements should be made to recover over payments and fill vacancies on a permanent basis. |
| (b) 231 officers had been appointed for 02 types of posts exceeding the number of approved cadre and 09 officers for 05 posts that were not in the approved cadre by 31 December 2022 without the approval of the Department of Management Services.  | The approval of the Board of Directors is obtained while recruiting for all posts (temporary/contract) and the posts in the hospital have been filled with the approval of the Board of Directors with the purpose of running the hospital efficiently and the number that is about 196.   | Arrangement should be made to prepare the recruitment procedures and to obtain approvals.     |

### 3.5 Vehicle System Management

| Audit Observation  | Management Comment | Recommendation |
|--|--------------------|----------------|
| Sri Jayewardenepura Hospital had 16 vehicles and the following facts were revealed during the audit of those vehicles. |                    |                |

- |       |   |   |  |
|-------|---|---|--|
| (i)   | Although it has been more than 05 years since 06 vehicles were received by the hospital from the National Budget Department according to the request of the Ministry of Health as per National Budget Circular 150, it had not been taken over to the hospital as of the date of this report.   | The relevant information has been requested from the Ministry of Health and the Bank of Ceylon and the takeover has been delayed due to the delay in the information and, the vehicles will be taken over and added to the fixed assets register in the future. | The vehicles should be taken over without delay.   |
| (ii)  | It had not been investigated as per the Finance Regulations regarding an accident occurred on 22 November 2019 in connection with a vehicle received by the Ministry of Finance in the year 2018 and the persons responsible had not been identified. Although it has been sent for repair according to the estimate of Rs.489,200 presented by a private company on 20 October 2022, it was problematic whether the insurance claims could cover on those costs due to the fact that more than 03 years had passed since the accident. | That it will be dealt within connection with accidents as per the Financial Regulations 103 and 104.  | It should be act as per the Financial Regulations of the Democratic Socialist Republic of Sri Lanka. |
| (iii) | 03 vehicles owned by the hospital were un-drivable condition also by 10 March 2023 due to the inability to carry out the repairs on time.   | That it was informed by the heads of that company that it is difficult to find spare parts for these vehicles and accordingly it has taken time to present the prices and repairs will be done as soon as the spare parts are received.                         | Vehicle repairs should be done promptly.   |