

Wijaya Kumaratunga Memorial Hospital Board - 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Wijaya Kumaratunga Memorial 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 Hospital Board as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with 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 Hospital Board's financial reporting process.

As per Section 16(1) of the National Audit Act No.19 of 2018, the Hospital 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 Hospital Board, and

whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Hospital Board has complied with applicable written law, or other general or special directions issued by the governing body of the Hospital Board;
- Whether the Hospital 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 Financial Statements

1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

The following observations are made.

| Audit Observation | Management Comments | Recommendation |
|--|--|---|
| (a) According to paragraph 22 of Sri Lanka Public Sector Accounting Standard No.07, if the cost incurred for an asset causes an increase in the value of the asset, although it should be added to the value of the asset, due to Rs.8,833,700 and Rs.2,605,631 spent on new module applied for VitreCtomy machine and pharmacy, wound care unit, endoscopy unit and repair of electrical system in dressing rooms being deducted against the profit of the year as expenditure without capitalization, the profit and fixed assets of the year had been understated by that amount. | The file does not indicate that the installation of this module will result in an increase in the value of the asset and that this is a replacement of an existing part of the asset. Therefore, this expense was accounted as a recurring expenditure and since the repair of the electrical system was done, it was considered as a recurring expenditure. | It should be act as per Sri Lanka Public Sector Accounting Standards. |
| (b) According to paragraph 65 of Sri Lanka Public Sector Accounting Standard No.07, although it had been fully depreciated due to the annual review of the effective life of thenon-current assets was not done, the estimated error about the effective life of assets which is with the cost Rs.203,269,478 still in use has not been revised as per the Sri Lanka Public Sector Accounting Standard 03 and net value had not been stated in the financial statements accordingly. | That there is no advice for surgical goods and public goods so far or the institution where it is done and that they are not named and that the revision work regarding land, buildings and vehicles will be done and indicated in the 2023 financial statements. | It should be act as per Sri Lanka Public Sector Accounting Standards. |

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| (c) | According to paragraph 69 of Sri Lanka Public Sector Accounting Standard No.07, although the depreciation should be done from the date of use of the asset, the accounting policy was set to depreciate the asset for the entire year regardless of the date of use of the asset as inconsistent therewith. | According to your instructions and public accounting standards, the depreciation will be done from the date of purchase from the year 2023. | It should be act as per Sri Lanka Public Sector Accounting Standards. |
| (d) | According to paragraph 100 of Sri Lanka Public Sector Accounting Standard No.08, although the disclosures of future liabilities should be made in the financial statements, disclosures had not been made in the financial statements regarding 02 cases that were filed against the hospital. | The financial value has not been included in the accounts as it is uncertain whether the payment will be made to the relevant parties and it will be indicated in the notes of the financial statements in this regard in the future. | It should be act as per Sri Lanka Public Sector Accounting Standards. |
| (e) | The capital grant of Rs.9,500,000 received to the Vijaya Kumaratunga Memorial Hospital for the year 2022 had not been disclosed in the financial performance statement in accordance with Sri Lanka Public Sector Accounting Standard No.11. | Since this is a requirement of the new format for presenting financial statements, the financial statements will be presented according to the new format for the year 2023. | It should be act as per Sri Lanka Public Sector Accounting Standards. |

1.5.2 Accounting deficiencies

The following observations are made.

| Audit Observation | Management Comments | Recommendation |
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| (a) A medical officer who had gone abroad had been considered to have left the service on 08 March 2019 due to her failure to report to work after nopay leave was over. The bond value of Rs.652,627 due from this officer had not been stated in the financial statements and the said amount had not been recovered by the date of this report. | That the doctor has been informed through several letters to make this payment and that the hospital has the B card as well as the gratuity to be paid by the hospital and the EPF/ETF forms have not been released for her. | Arrangements should be made to recover the due amount promptly. |

1.6 Non-compliance with Laws, Rules, Regulations and Management decisions etc.

The following observations are made.

| Reference to the Laws, Rules and Regulations | Non-Compliance | Management Comments | Recommendations |
|--|---|--|--|
| (a) Financial Regulation 756 of Financial Regulation of Democratic Socialist Republic of Sri Lanka | Although a Board of Survey should be conducted on all fixed assets at the end of every financial year, medical equipment worth Rs.55,155,153 included in the financial statements had not been surveyed in the years 2021 and 2022. | That the surgical goods survey for the year 2022 will be conducted from 01 st to 03 rd July 2023. | It should be complied with the Financial Regulation of Democratic Socialist Republic of Sri Lanka. |
| (b) Public Administration Circular No. 09/2009 dated 16 April 2009 | Although all government entities should keep records to confirm the arrival and exit of officers to the office by using the finger scanners, the hospital had not use finger scanners to verify arrival and exit. | That this will be discussed in the management committee of the hospital and necessary steps will be taken to carry out the related activities appropriately. | It should be act according to the Public Administrative circulars. |

2. Financial review

2.1 Financial Results

The operating result of the year under review was a deficit of Rs.13,175,722 and inconsistently the surplus of the previous year was Rs.7,397,213. Accordingly, a decline of Rs.20,572,935 was observed in the financial result. This decline was mainly due to the increase in other expenses by Rs.26,526,790 in the year under review.

3. Operational review

3.1 Operational Inefficiencies

The following are observed.

| Audit Observation | Management Comments | Recommendation |
|--|--|---|
| According to the agreement reached regarding the case No.21/32/2019 filed on 30 July 2019 in the Negombo Labor Tribunal against the hospital regarding the unfair and unjust termination of the service of an officer who was appointed as an accountant on 01 May 2013, since the said officer is currently engaged in another job, the hospital had to give resignation by accepting as a resignation and pay a compensation of Rs.500,000. Accordingly, the hospital had to bear an idle expense of Rs.690,000 in compensation and attorney's fees. | After considering the request made by the former accountant regarding the settlement by the Board of Directors of Wijaya Kumaratunga Memorial Hospital, that the case was settled after considering the request of this office since it was decided that it would be a uneconomic expense to continue this case further. | <ul style="list-style-type: none">• The management should take action to prevent such defects happening in the future.• Arrangements should be made to recover the loss of Rs.690,000 from the responsible officers. |

3.2 Procurement Management

The following observations are made.

| Audit Observation | Management Comments | Recommendation |
|--|---|--|
| (a) The total cost estimate was not prepared as per the guidelines 4.3 of the procurement guidelines regarding the repair cost of Rs.1,116,250 for moving the medicine warehouse to the old family medical clinic, and the director of the hospital had arranged to divide the work under the value of less than Rs.100,000 and give the contract to one supplier without obtaining the authority approval related to the respective financial limits according to the 2.14 guidelines, without identifying the specifications and measurements and without following the procurement process. | The hospital management has already paid attention in this regard and a system has already been prepared to carry out such tasks in the future. | It should be act according to the government procurement guidelines. |

(b) As per paragraph 2.8.5 (b) of the Procurement Guidelines 2006, although a Technical Evaluation Committee should be appointed unless the Head of Department is satisfied that the Regional Procurement Committee appointed for the situation will consist of an expert with subject knowledge and an officer with knowledge of the relevant procurement, irrespective of that, without the appointment of Technical Evaluation Committees, the contract of repair of Rs.3,395,012 for the repair of the electrical system of the primary care unit and the preparation of the ground in front of the general stores had been awarded.

That in the execution of such contracts in the future, technical evaluation committees will be appointed and contract works will be carried out. It should be act according to the government procurement guidelines.

(c) Although the value of the technical officer (electrical) estimate dated 23 March 2022 for the repair of the electrical system of the primary care unit was Rs.1,791,595 (without VAT), the final bill was Rs.2,605,631. There was no sufficient justification for this difference and without obtaining a recommendation from an Electrical Engineer of the Ministry regarding the technical report, quotations had not been called after updating the total cost estimate and taking into account inflation or other matters as per section 4.3.3 of the procurement guidelines and after approval by the relevant authority.

That the action will be taken to obtain the recommendations of an electrical engineer in activities like this the future as per the instructions given by you. It should be act according to the government procurement guidelines.

Also, without the approval of the procurement committee to call quotations for the repair, the bid documents had been sent with a letter dated 12 May 2022 signed by the director of hospital.

3.3 Human Resource Management

The following observation is made.

| Audit Observation | Management Comments | Recommendation |
|---|---|---|
| Due to the fact that two maintenance workers and one electrician who worked in the maintenance department of the hospital were transferred from that department to other places in the year 2021, painting and other minor maintenance work of the hospital had to be given to external contractors. Accordingly, it was observed that the hospital had suffered a financial loss by giving the tasks that could have been done at a minimum cost by using the human resources of the hospital effectively to external parties. | That the maintenance department has been re-established on 08 May 2023 and accordingly, all minor maintenance work and painting of the hospital will be carried out by that unit in the future. | Human resources should be used effectively. |