

Sri Jayewardenepura General Hospital Board - 2024

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 2024 comprising the statement of financial position as at 31 December 2024 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 material accounting policies information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with 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 2024, 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 Sri Lanka 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 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 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, it 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 Board.

1.4 Audit Scope

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 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 board 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 Accounting Deficiencies

Audit Observation	Management Comments	Reccomendation
(a) Although the land owned by the Board is 10.0229 hectares, only 9.8047 hectares had been revalued at Rs.4,845,500,000 and 0.2182 hectares had not been revalued.	Requests for survey related to the land have been forwarded to the Maharagama Divisional Secretary and the Survey Department, and that the revaluation will be taken once the complete acquisition of the land is done.	The entire land should be revalued.
(b) Action had not been taken to removed the inventory of Rs.3,392,723 included in the unusable closing stock from the financial statements.	That the action will be taken to apply it in the preparation of the financial statements for the year 2025.	Unusable inventory included in the closing stock should be removed from the financial statements.
(c) Although the total amount of bills related to the staff of the board, clergy and other exemptions was Rs.329,951,830 according to the systolic system, due to the fact that, it has being accounted for as Rs.301,595,862, the profit had increased by Rs.28,355,968.	That the necessary actions will be taken to correct it in the future.	Action should be taken to correct the error in the financial statements.
(d) Although the deposit amount of the Board's inpatients should have	All balancing will be completed by 2025.	Action should be taken to correct errors in the

been a credit balance, it was shown as a debit balance of Rs.28,223,907 in the Revenue Control Account and was deducted from current liabilities in the Statement of Financial Position.

financial statements and relevant ledger accounts.

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| (e) | Action had not been taken to identify and account for unidentified deposits of Rs. 7,392,471 in bank reconciliations. | An amount of Rs. 5,347,692 has been identified and accounted by now, and that the balance will be rectified as soon as possible. | The total value of unidentified deposits should be identified and accounted. |
| (f) | Although the balance payable for cleaning and hospital garden services for the month of December 2024 was Rs.8,183,726, due to the fact that, the financial statements showed it as Rs.2,242,747, the profit was increased by Rs.5,940,979 and accrued expenses had been decreased by the same amount. | Since the amount payable had not been correctly identified, it has not been recorded in the accounts, and action will be taken to identify correctly in the 2025 financial statements. | Action should be taken to correct this error in the financial statements. |
| (g) | The income and expenditure for the year had decreased by Rs. 2,862,288 due to the fact that The income of the year and bond receivable balance had been decreased by Rs. 660,175 due to the non-inclusion of the bond fee due from a doctor who vacated the service during the year under review in the financial statements and, the bond fees received from two officers who had breached agreements were credited to the expenditure accounts instead of being included in the income for the year. | That the action will be taken to correct it in the future. | -do- |
| (h) | Due to the accounting of Rs.2,426,677 as a purchase of consumables, which should have been accounted as assets, the profit and assets of the year under review had been decreased by that amount. | -do- | Action should be taken to correct this error in the financial statements and relevant ledger accounts. |

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| (i) | The profit for the year had been decreased by Rs.15,018,735 due to the fact that the expenses of Rs.14,880,821 and Rs.137,914 relating to the years 2022 and 2023, which were included in the service agreements signed with suppliers under other operating expenses and other expenses were shown as an expense in the financial statements of the year under review. | That the accounts were not done correctly in 2023. | Only the expenses related to the year under review should be taken into account when calculating the profit/loss for the year. |
| (j) | Although the Board had not received the goods related to the purchases, the creditor balance had been debited by making full payment instead of debiting the pre payments. As a result, the creditor balance in the financial statements had been decreased by Rs.3,289,557. | Since it is not possible to make relevant adjustments after the goods are received and the goods receipt notes (GRN) are entered, and since the advances have already been paid, those balances have been entered under debtors. | Accurate information must be presented in the financial statements. |
| (k) | Due to the non-availability of Rs.1,292,674 under accrued expenses, the Value Added Tax (VAT) liability had been reduced by that amount. | That the necessary actions will be taken to correct the error. | This error should be corrected in the financial statements. |
| (l) | Although the mobilization advances of Rs.7,106,554 for the construction of the site building were stated in the financial statements, it had been over stated by Rs. 1,151,363 since the balance at the end of the year under review was Rs.5,955,191. | That, it will be corrected in 2025. | -do- |
| (m) | Although the cost of the service contracts signed with suppliers was Rs.2,441,897, due to the difference of Rs.1,108,591 of overdue payments were shown as sundry debtorsto correct the stating it as Rs.3,550,488, the accrued | In accruing expenses for the year 2024, the entire amount has been creditend to the accrued expeses account and the relevant expense account has been debited, and out of the total value, an amount of | -do- |

expenses and sundry debtors had been increased by that amount. Rs.1,209,254 has been included for the year 2025, and actions will be taken to correct it.

- (n) Although the gratuity payable of Rs.1,816,132 from the years 2016 and 2017 was stated in the financial statements under other liabilities, the relevant evidence was not submitted to the audit. These are long-standing balances and the accounts will be re-examined and corrected in 2025. Actions should be taken to ensure the existence of liabilities and to accurately reflect them in the financial statements.

1.5.2 Unreconciled Control Accounts and Reports

Audit Observation	Management Comments	Reccomendation
Although the balance of the debtors ledger as per the financial statements was Rs.993,098,036, the balance as per the debtors shedule submitted to the audit was Rs.1,056,038,283 and accordingly, a difference of Rs.62,940,247 was observed.	That the reasons for these changes are being investigated and corrected.	Correct values should be included in the financial statements.

1.6 Receivable and Payable Accounts

1.6.1 Receivables

Audit Observation	Management Comments	Reccomendation
(a) Bonds worth Rs.37,617,947 due from 23 nursing officers who had vacated the service before the year 2024 have not been recovered until now even a period of between 01 and 06 years has passed.	The 09 nursing officers have commenced payments of Rs.10,809,686 and legal action has been referred to the Attorney General's Department to recover the remaining money.	Action should be taken to recover the amount immediately.
(b) The total amount of Rs.6,077,633 indistress loans due from employees who had suspended their service, vacated the service, gone abroad and deceased had not been recovered until now, and Rs.4,776,425 of this amount was due from a period of 2 to 11 years.	That the loans are being collected from 20 employees, and the remaining 11 have been informed to pay the loans and that legal action will be taken if they continue to default on their loans.	-do-

- (c) The sundry creditors balance of Rs.100,100 arising from a journal entry made to zero the petty cash advance in the year 2023 had not been settled by the end of the year under review. That the accounts will be re-examined and corrected in 2025. Action should be taken to correct the balance.

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

	Reference to Laws, Rules, Regulations etc.	Non-Compliance	Management Comments	Recommendation
(a)	Section 14 of the Sri Lanka Engineers Council Act No.04 of 2017	Although it is necessary to obtain registration with the Sri Lanka Engineering Society to perform engineering work in Sri Lanka, officers who did not obtain such registration were recruited as Biomedical Engineers in the Board and paid the salary corresponding to Grade III of the SL 1 salary scale.	The biomedical engineer has been asked to submit her registration with the Sri Lanka Engineering Society.	Recruitment should be made after verifying the qualifications.
(b)	Cabinet Decision No.CP/09/0675/311/028 dated 14 May 2009	Although approval had been given to award the contract to supply fish and dried fish to patients and employees of hospitals and institutions controlled by the Ministry of Health Protection and Nutrition to the Sri Lanka Fisheries Corporation, Contrary to this, the Procurement Committee had called for bids and awarded contracts to a private supplier for Rs.45,009,480 and Rs.6,630,930 respectively for the year 2023/2024 and 03	It was stated that the Fisheries Corporation had been given on several previous occasions based on the same memorandum and, based on the problematic situations that occurred during the supply process, the competitive bidding had been conducted and, that the action would be taken in accordance with the new	Action should be taken in accordance with the Cabinet Decision.

months of 2024.

procurement
guidelines in effect
from 2025.

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| (c) | 371 (2) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka and Public Finance Circular 01/2020 | Rs.2,628,090 had been given as petty cash advances over Rs.25,000 to 8 non-staff officers on 58 occasions. | Instructions have been given to act in accordance with Financial Regulation 371 in the year 2025. | Financial Regulations should be followed. |
| (d) | General Circular No.01-21/2015 dated 28 May 2015 of Ministry of Health | Although food could only be provided to patients and junior employees of hospitals and other medical institutions belongs to the Ministry, Contrary to this, food had also been provided to officers in other service categories, other than junior employees of the hospital, by charging Rs.60 for one meal (lunch) by Board Decision No. 242:15. | The hospital's management has decided to provide this lunch after considering the requests of the hospital staff. | Relevant circulars should be adhered to. |

2. Financail Review

2.1 Financial Result

The operating result for the year under review was a profit of Rs.552.43 million, while the corresponding profit for the previous year was Rs.303.77 million. Accordingly, a growth of Rs.248.66 million was observed in the financial result. This increase was mainly due to the fact that government grants of Rs.150.81 million were treated as income in accordance with Sri Lanka Public Sector Accounting Standards 11 during the year under review.

3. Operational Review

3.1 Mnagement Inefficiencies

Audit Observation	Management Comments	Reccomendation
(a) Before the approval of the Procurement Committee was received, a purchase order was issued and 04 color televisions worth Rs.651,960 were purchased and two out of which, were kept in the warehouse without getting in to use until now.	It is expected that the two rooms where televisions will be installed will be renovated and installed.	Purchases should be made according to the correct procurement methodology.
(b) Although 50 Adjustable Patient Beds with Mattresses worth Rs.16,225,000 were purchased without appointing an officer with knowledge of the subject to the Technical Evaluation Committee,Only 40 beds had been provided by the supplier. The beds that had been provided had also not been able to be used due to various defects.	That the defects have been reported to the supplier and rectified, that additional warranty periods have been obtained for the relevant beds, that necessary spare parts have been obtained, and accordingly, the hospital has been ensured that no financial loss occurs.	Quality goods should be purchased using the correct procurement methodology.
(c) Although purchase orders and acceptance letters were given to the relevant supplier to purchase 35,700 units of the drug Ceftriaxone 1g injection for Rs.13,080,000at Rs.400 each in the year 2023, 3,000, 13,000 and 14,000 units were received in the years 2023, 2024 and 2025 respectively, and 5,700 units valued at Rs.2,280,000 had not been received up to the date of this report.Due to the failure to properly forecast the annual drug requirement, opportunities to purchase at competitive low prices were lost due to the same order being placed for a long time.	The supplier has failed to supply the relevant medicine within the stipulated time due to the supplier not having the relevant stock, and even if the stock is supplied at a later date,due to widespread reports of allergic reactions to Ceftriaxone injectionsat that time, its use had declined rapidly, and as a result, only 3,000 vials had been received and from that day until today, they have been continuously obtained from the relevant supplier as per the needs of the hospital and, the decision of the chairmen appointed to the hospital in the last two years was that only medicines that are not available in the state drug store should be purchased from outside.	Annual drug requirements should be accurately forecasted.

3.2 Operational Inefficiencies

Audit Observation	Management Comments	Reccomendation
(a) Since 2016, hospital bills of certain patients had been waived without specific basis and obtaining board approvals and the total value of the bills released accordingly at the end of the year under review was Rs.29,009,042. Although a total amount of Rs.6,401,023 had been withdrawn through credit notes during the year 2017, the reasons for that were not presented to the audit.	Investigations are currently under way.	Board Approval should be obtained for fee waivers.
(b) Rs. 24,306,197 had not been recovered so far from patients who left the hospital without paying their bills from 2016 to 2024.	The higher values in the balances indicate that the receivable balances from patients admitted to the hospital during the Covid-19 period, and that a decision will be taken by the Board of Directors in the future in this regard.	Actions should be taken to recover the due hospital fees.
(c) There was a debtor balance of Rs.43,453,787 which was over 90 days overdue and exceeded Rs.1 million, which was not reimbursed by 10 insurance companies and service institutions for the bills of patients who had left.	The balance is being recovered and it has already been reduced to Rs.18 million.	Action should be taken to recover the money.
(d) The laboratory research fees conducted by the Board were revised without conducting a cost-benefit analysis and, according to the sample audit conducted, the loss of revenue to the hospital was Rs.9,563,000.	The revision of laboratory testing fees in September 2024 was carried out without transparency and this has now been corrected once again.	It should be done in a way that does not cause any loss to the hospital when revising prices.
(e) Although a profit margin of 10 percent and 30 percent respectively should be maintained when purchasing emergency medicines locally and processing bills for patients admitted to the board's general and paying wards, During the sample audit, a profit margin of between 49 and 767 percent	It is expected that a response will be provided after re-examining the bills indicated.	Proper procedures should be followed when processing bills.

was maintained on 18 bills worth Rs.5,976,775 in general wards, and a profit margin of between 30 and 422 percent was maintained on 21 bills worth Rs.35,983,650 in paying wards.

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| <p>(f) The value of unused building items and electrical items in the electrical and building materials warehouse from 9 years ago was Rs.1,612,549 and Rs.3,984,022 respectively. Further more, a container belonging to this warehouse has a stock of various types of iron since 2022 and there was a risk of decay due to rusting of the iron. Action had not been taken to use or dispose of these iron stocks until now.</p> | <p>Although an order was placed to set up a generator room in the electrical department, the work has not been started and it has been submitted to the disposals committee for necessary action.</p> | <p>These iron stocks should be used as soon as possible or, if they can not be used, action should be taken to dispose them.</p> |
| <p>(g) An amount of Rs.101,214,000 was received as capital grants during the year under review and the amount spent out of that during the year was Rs.37,747,483. The remaining amount of Rs.63,505,607 including the opening balance, which was remitted back to the Treasury as Rs.26,898,606 and Rs.36,607,000 at the end of the year under review, was held idle in the bank account for a period of three months and two and a half month srespectively.</p> | <p>Although the Board of Directors decided to build 50 paying rooms at the hospital and the procurement process had begun, the project could not be completed due to certain short comings and delays.</p> | <p>Projects should be properly planned and initiated.</p> |
| <p>(h) Due to the changes made after including the information of hospital billing and inventory-related (Systolic) computer system existing in Boardinto the accounting computer system (Accpack) were not updated in the accounting system, as the changes in the value of the items such as existedcosts of purchase, creditors, debtors and hospital fee income, as well as the balance changes on different dates within the same system (Systolic), the audit was unable to confirm whether the financial statements reflect the correct values of those items.This was due to the lack of</p> | <p>Currently, the revenue in the Systolic system and the Accpack accounting system i.e. daily cashier reports and letter of credit have automated and that the necessary action will be taken to fully automate it after solving practical problems in the future.</p> | <p>A correct linkshould be established between two computer systems.</p> |

a system link between the existing computer systems of the board and the lack of proper authority to implement the procedures for entering, checking and approving data in the computer system.

3.3 Human Resource Management

Audit Observation	Management Comments	Recommendation
(a) The 208 officers had been recruited for two types of posts, exceeding the number of approved posts, without the approval of the Department of Management Services, and 140 officers had been recruited for two types of posts that were not in the approved cadre.	This action was taken with the approval of the Board of Directors and the guidance of the Minister, and was carried out under the direct orders of the then Chairman.	Recruitment should be made within the approved types of post and number of posts.
(b) Action had not been taken to prepare a new recruitment procedure for various existing positions in the Board and obtain the approval of the Department of Management Services, and although the Sri Lanka Institute of Development Administration (SLIDA) had conducted training and examination at a cost of Rs.865,905 for 58 officers in the MN 1 salary scale of the hospital to appoint them in the MN 2 salary scale and, it had not been possible to appoint in the MN 2 salary scale.	It has not been possible to appoint officers from MN1 to MN2 salary scales.	The recruitment procedure should be approved immediately.
(c) The summoning letters for interviews had been issued for 149 posts of Management Assistant, Driver and Health Assistant recruited to the Board during the year under review without calling for applications by public notice and it had not been maintained dates on which it was held and the signatures of the participants. A practical test was conducted after recruitment without appointing a vehicle inspector from the Department of Motor Traffic for the 6 drivers who were recruited without conducting a practical test.	That there is no signature record of participants for the interview in the hospital files.	Recruitment should be carried out according to the correct method.

- (d) The recruitment, which was carried out without obtaining the prior approval of the Treasury contrary to Management Services Circular No. 02/2020 dated 26 October 2020, Sections 2.3.1 and 2.3.2 of the Extraordinary Gazette No.2394/56 dated 26 July 2024 of the Democratic Socialist Republic of Sri Lanka and Election Commission Circular No.05 dated 26 July 2024, and due to the addition of a 35 percent allowance and payment had been made to non-medical staff based on the salary revision of the State Corporations Statutory Board and fully State-Owned Companies, issued in accordance with the salary scales, No.02/2016 dated 25 April 2016, issued for State-Owned Enterprises (SOEs) as per the Cabinet decision dated 10 July 1996 contrary to the salary scales used for the payment of salaries of the hospital so far by the Board decision No.483.12.2 dated 28 June 2024, a salary disparity had arisen between the employees who were in service at that time and the new employees.
- This has been done on the orders of the Minister and with the approval of the Board of Directors, and the attention of the new Board of Directors has been drawn to this matter and has been forwarded to the attention and advice of the Minister and the Department of Management Services.
- The approval of the General Treasury should be obtained and the relevant circulars should be adhered to when making recruitments for posts not included in the approved cadre and changing the salary scale.

3.4 Vehicle System Management

Audit Observation	Management Comments	Reccomendation
The Board had not taken actions to take over 8 vehicles worth Rs.65,650,000.	That the actions are being taken to take over the vehicles.	Actions should be taken to take over the vehicles that are being used by the Board.

4. Annual Action Plan

Audit Observation	Management Comments	Reccomendation
Out of the 52 activities included in the action plan for the year under review, 29 activities had not been implemented. Out of the 23 activities implemented, the physical progress of 07 activities was 25 percent or less.	Answers were not given.	Action should be taken according to the action plan.