

National Health Development Fund - 2012.

1. **Financial Statements**

1.1 **Qualified Opinion**

In my opinion, except for the effects of the matters described in paragraph 1:2 of this report, the financial statements give a true and fair view of the financial position of the National Health Development Fund as at 31 December 2012 and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 **Comments on Financial Statements**

1.2.1 **Accounting Deficiencies**

Even though the unpaid audit fees relating to the years 2011 and 2012 amounted to Rs.269,883 , it was shown in the financial statements as Rs.140,857 and as such the outstanding audit fees at the end of the year under review had been understated by Rs.129,026.

1.2.2 **Unexplained Differences**

The following differences were observed between the balances shown in the financial statements in the preceding year and the balances brought to as opening balances in the year under review.

Project/ Programme	Balance as at the end of the preceding year	Value brought as the opening balance in the year under review	Difference between the closing balance of the preceding year and the opening balance of the year under review.
	Rs.	Rs.	Rs.
(a) General Fund	110,895,505	111,971,955	1,076,450
(b) Feelix Dias Bandaranayeka Fund	1,161,576	1,471,037	309,461
(c) Medical Research Institute	12,306,702	11,679,783	(626,919)
(d) National Institute of Health Services –Kalutara	815,537	544,979	(270,558)
(e) Fund Website	-	18,028	18,028
(f) Project of laying tiles at Ragama Hospital	155,378	-	(155,378)
(g) Infant and young children's nutrition training programme for health field officers.	2,400,912	1,716,570	(684,342)
(h) Donation of eye lenses for the eye hospital	-	22,500	22,500

1.2.3 Transactions Without Adequate Authority

A sum of Rs.92,000 had been paid by the National Eye Bank for the manager of the National Eye Bank for follow a Diploma Course conducted by a government institute. An approval of the Secretary to the Ministry had not been obtained in this connection.

2. **Financial Review**

2.1 **Financial Results**

(a) According to the financial statements presented, the operation of the Fund for the year under review had resulted in a surplus of Rs.101,376,270 as against the surplus of Rs.73,205,838 for the preceding year. Increase in all sources of income by Rs.62,685,496 had been specially affected the improvement of Rs.28,170,432 in the year under review as compared with the preceding year.

3. **Operating Review**

3.1 **Performance**

The following observations are made.

- (a) A sum totalling of Rs.7,659,081 received for period ranging 4 to 25 years for various 6 purposes had remained idle.
- (b) A sum totalling of Rs.32,389,566 received since the year 1990 to the year 2011 for various institutions for various purposes had been credited to the General Fund without being done the relevant purposes as at the end of the year under review.
- (c) Defects revealed in collection of blood samples of the patients under the Dengue Prevention Project are given below.
 - (i) Even though testing of 2250 blood samples under the Dengue Prevention Project for the first 9 months in the year under review had been the targeted, only 1442 blood samples or 64 per cent were tested.
 - (ii) At least only one blood sample had not been obtained in the month of December 2012 by 3 private dispensaries among the private dispensaries which selected for collection of blood samples. Thus only 16 blood samples had been obtained by a private dispensary during first 9 months period in the year under review. Quantitative of carrying

out the blood testing of the patients during the dengue peak period in Colombo District was not satisfactory in audit.

3.2 Management Inefficiencies

The following observations are made.

- (a) Even though a sum amounted to Rs.4,510,000 had been given to a private institute as an advance for supply of laboratory services to the Dengue Prevention Project for a 3 months period , an advance bond had not been obtained thereon.
- (b) Advances supplied for a private institute for 3 months laboratory charges had been utilized for settlement of 6 months expenditure of the same institute due to advances had been supplied without doing accurate expenditure estimates.
- (c) The contract for construction of 20 Health Centres in Anuradhapura and Polonnaruwa Districts amounted to Rs.79,569,908 had been awarded to a Bureau. According to the decision of the Health Development Fund Meeting dated 20 August 2012, it had been informed that a full report should have been furnished by doing relevant field inspections in relating to that matter. However, the final payment had been done without furnishing such a report.
- (d) Even though the duration of attachment period of two officers who attached to the Eye Bank from the National Eye Hospital on secondary basis for two years period had been terminated, the salaries and allowances had been paid by the National Eye Bank without extension of the period by getting further proper approval .

3.3 **Operating Inefficiencies**

A sum of Rs.257,437 had been paid as charges of foreign travel air tickets in April 2012 for a laboratory instructor in a private institution who is working in the laboratory of the Dengue Project.

The Secretary of the Health had replied that the Dengue Project should be carried out according to the international research standards and obtaining observations and advises for such extraordinary researches from external specialists are happened in international researches.

3.4 **Under-utilization of Funds**

The following observations are made.

- (a) A sum amounted to Rs.10,000,000 had been donated to the Fund by a State Corporation in the year 2008 for purchase the medical equipment required for the soldiers who were obtaining treatments in Sri Jayewardenapura Hospital. A balance of 58.51 per cent or Rs.5,850,888 of the amount donated had been retained in the Health Development Fund as at 31 December 2012 without used for the relevant task.

- (b) A sum amounted to Rs.20,000,000 had been donated to the Fund in the year 2009 by a State Corporation for improvement of doctors' quarters, take action for the sanitary conditions and water problems of the general public. Nevertheless, from the said amount, only furniture valued at Rs.1,343,776 for the practical training of the students of the Dental Therapists' School at Maharagama had been supplied. From the donated fund, a sum amounted to Rs.18,656,224 or 93.28 per cent had been retained in the Health Development Fund from 31 December 2012 (3 years).

3.5 Uneconomic Transactions

Even though the electricity supply of the building with ward 3 and 4 of the Ingiriya District Hospital had been repaired spending Rs.79,800, often blowing off of electric bulbs had been occurred due to the errors of the electrical system.

The Secretary had reported to me, that blowing off of bulbs had occurred due to such errors in the system as the electricity system is older than 150 years.

3.6 Defects in Contract Administration

The following observations are made.

(a) Even though the money amounted to Rs.30,042 which had been retained in the repairing of the building of the OPD Section in Ingiriya District Hospital had been released on 21 May 2012, those retained money had not been deducted on behalf of the following defects in the contracts.

- (i) Differed from the category mentioned in the estimate ,3 door closers had fixed and those 3 were in an inactive condition as at 28 February 2013.
- (ii) A plastic water tap which was not in the prescribed standard had fixed spending Rs.20,000 .
- (iii) Even though a sum of Rs.56,000 had been paid for fixing of 2 canopy roofs, only one had fixed.

(b) A contract amounted to Rs.2,652,860 had been awarded on 15 February 2012 for improve the special baby care unit of the Colombo South Teaching Hospital . After seven months of the completion of said task an amount of Rs.634,902 had been spent

by getting approval of the additional work estimate amounted to Rs.636,100 by the Regional Procurement Committee.

(c) The contract (tax free) of construction of ambulance garage and drivers' quarters at Wariyapola had been amounted to Rs.1,716,660. A revised estimate of Rs.340,000 had been prepared due to the first estimate had prepared without the minimum basic living conditions . It had been hand over to another GramaSanwardanaSamithi for completion of the work. Due to planned estimates had not been prepared ,9 months delay had been occurred for the completion of the work .

(d) Funds had been collected by a private institute from the general public for the objective of construction of a hospital at Thelippalei Jaffna for cancer patients. The cost of the same Project had been estimated as Rs.200,000,000. The above institute had agreed to complete the work of the Project and deposit the said amount to the Development Fund .Therefore, the contract had been awarded to the said institute on 12 September 2012. The following defects were revealed in this connection.

(i) The following needs had not been fulfilled according to the Sections 4(a) and 4(1) of the Memorandum of Understanding dated 16 March 2012.

- Even though a sum of Rs,100,000,000 should be deposited in the Fund within 01 week of the Agreement signed, the same amount had been deposited on 14 September 2012.
- Even though the contract activities should be commenced within one month of the Agreement

signed, awarding of contract had done after 5 months of the Agreement.

- (ii) In terms of the Guideline 5.4.4(i) of the Procurement Guideline , maximum of 20 per cent of the contract amount could be paid as advances , an amount of Rs.68,679,412 of 35 per cent of that had been paid as advances to commencement of the work.
- (iii) Although the date of the completion of the contract was 03 October 2013 , progress of the construction had not been reached even at 50 per cent even as at 05 September 2013.

4. **Budgetary Control**

Variances between the budget and the actual expenditure ranged between 33.8 per cent to 228.4 per cent . As such it was observed that the budget had not been made use of as an effective instrument of management control.

5. **Systems and control**

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Secretary to the Fund .Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Granting advances.

Income and Expenditure Statement

According to the financial statements presented, the income and expenditure of the year ended 31 December 2012 as compared with that of the preceding year are given below.

Income	Year ended 31 December			
	<u>2012</u>		<u>2011</u>	
-----	Rs.	Rs.	Rs.	Rs.
JathikaSampatha Lottery Income	52,560,260		39,228,040	
Donations	155,139,494		130,926,696	
Investments Interest	30,538,493		14,192,687	
Other Income	9,878,521	248,116,768	1,083,848	185,431,271
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<u>Expenditure</u>				
Administration Expenses	1,597,636		1,190,256	
Finance and Other Expenses	16,420		39,014	
Health Development Project Expenses	145,126,441	146,740,497	110,996,163	112,225,433
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Surplus		101,376,271		73,205,838
Prior year adjustments		<u>1,126,723</u>		<u>6,157,268</u>
		102,502,994		79,363,106
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Annexure 2

Statement of Investments

Fixed Deposits

Certificate No.	Date of investment	Period of investment	Balance as at 01 January 2012	Investments during the year 2012	Withdrawals during the year 2012	Balance as at 31 December 2012
			Rs.	Rs.	Rs.	Rs.
329646	2011.12.21	3 months	63,000,000	-	-	63,000,000
331074	2011.12.21	1 year	23,000,000	-	-	23,000,000
329711	2012.03.14	1 year	-	10,000,000	-	10,000,000
329770	2012.05.30	3 months	-	15,000,000	-	15,000,000
331081	2012.12.28	3 months	-	1,500,000	-	1,500,000
331050	2012.12.12	3 months	-	20,000,000	-	20,000,000
331049	2012.12.12	3 months	-	20,000,000	-	20,000,000
			86,000,000	66,500,000	-	152,500,000
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Treasury Bills

Certificate No.	Date of investment	Period of investment	Balance as at 01 January 2012	Investments during the year 2012	Withdrawals during the year 2012	Balance as at 31 December 2012
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		Dates	Rs.	Rs.	Rs.	Rs.
20101000226	2012.10.11	84	5,679,909	-		6,244,852
201006221	2012.06.08	357	18,276,260	-		19,592,146
2010060157	2012.06.08	357	3,729,604	-		3,569,408
201010021	2011.10.07	91	1,965,360	-	1,965,360	-
2010100064	2011.10.07	91	16,184,124	-	16,184,124	-
314	2012.03.09	364	13,434,486	-	-	14,388,332
314	2012.11.16	91	23,673,177	-	-	23,505,905
314	2012.12.07	182	4,800,770	-	-	4,721,435
314	2012.11.23	182	7,703,416	-	-	7,556,080
314	2012.08.31	182	6,048,312	-	-	5,883,461
314	2012.08.31	364	12,129,573	-	-	11,475,942
314	2012.10.19	182	40,291,356	-	-	39,425,005
M12B024498	2012.12.31	7	-	20,000,000	-	20,000,000
M11B024103	2011.12.28	6	14,500,000	-	14,500,000	-
M11B024104	2011.12.28	6	<u>10,000,000</u>	-	<u>10,000,000</u>	-
			178,416,347	20,000,000	42,649,484	156,362,566

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