

## **Head 111- Ministry of Health and Indigenous Medical Services**

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### 1. Financial Statements

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#### 1.1 Qualified Opinion

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The audit of the financial statements of the Ministry of Health and Indigenous Medical Services for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of financial performance and cash flow statement for the year then ended 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. In terms of section 11 (1) of the National Audit Act, No.19 of 2018, the summary report including my comments and observations on the financial statements of the Ministry of Health and Indigenous Medical Services, was issued to the Chief Accounting Officer on 15 June 2020. In terms of section 11(2) of the Audit Act, the Annual Detailed Management Audit Report relating to the Ministry was issued on 21 October 2020 to the Chief Accounting Officer. This report is submitted to Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 10 of the National Audit Act, No. 19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements prepared in terms of provisions of the State Accounts Circular No.271/2019 of 03 December 2019, give a true and fair view of the financial position of the Ministry of Health and Indigenous Medical Services as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

#### 1.2 Basis for Qualified Opinion

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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 opinion.

#### 1.3 Responsibility of the Chief Accounting Officer for the Financial Statements

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The Chief Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and in terms of Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as the Chief Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per section 16(1) of the National Audit Act, No. 19 of 2018, the Ministry 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 Ministry.

In terms of Sub-section 38(1) (c) of the National Audit Act, the Chief Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Ministry and carry out periodic reviews to monitor the effectiveness of such system and accordingly make any alterations as required for such systems to be effectively carried out.

#### 1.4 Auditor's Responsibility for the Audit of Financial Statements

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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 summary 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, misrepresentation 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 Ministry's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- 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.

I communicate with the Chief Accounting Officer regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

#### 1.5. Report on Other Legal Requirements

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As required by Sub-section 6(1) (d) and Section 38 of the National Audit Act, No.19 of 2018, I state the followings:

- (a) that the financial statements are consistent with the preceding year,
- (b) that the recommendations made by me on financial statements of the preceding year regarding observations indicated in paragraphs 1.6.3 (b) and (c) of this report, had not been implemented.

1.6 Comments on Financial Statements  
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1.6.1 Presentation of Accounts  
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Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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Reconciliation Statement on Advances to Public Officers Account ----- In terms of State Accounts Circular No. 256/2017 of 05 July 2017, the Reconciliation Statement on Advances to Public Officers Account Item No.11101 should be submitted to Audit before 28 February 2020 in terms of State Accounts Circular No.271/2019 of 03 December 2019. Nevertheless, it had been submitted to Audit on 26 May 2020 with a long delay of 2 ½ months.	In terms of provisions in State Accounts Circular No.271/2019 of 03 December 2019, Reconciliation Statements should be submitted to Audit on or before due date.	That the audit observation is correct and it was recorded to present accounts on due date in future.

1.6.2 Non-compliance with Provisions in Financial Statement Circulars  
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Even though financial statements should have been prepared in terms of State Accounts Circular No.271/2019 of 03 December 2019, instances of non-compliance with those provisions are given below.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) In terms of paragraph 2 of State Accounts Circular, financial statements should be prepared and submitted trilingual in all three languages. However, financial statements had been submitted to Audit on 15 July 2020 with a delay of nearly 4 months in English and Tamil languages.	Financial statements prepared in three languages in terms of circular provisions should be submitted to Audit without a delay.	That the observation is correct.

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| (b) | Provision of Rs.3,248 million which should be frozen during the year under review had been indicated in a separate column of the summary of expenditure (Format ACA-2) as per programmes presented along with financial statements. As such, the total net provision of the year under review had been understated by a value equal thereto. As a result, net provision as well as the savings of each Object had not been indicated accurately. | Financial statements prepared in terms of circular provisions should be submitted to Audit.   | That the net provision has been understated by Rs.3,248 million due to unavailability of a column in the Format ACA-2, issued by the Department of State Accounts for freezing of provision, and that such errors will be avoided in ensuing years. |
| (c) | The cash flow statement included in the financial statements submitted to Audit, had not been prepared as per the Format ACA-P specified in State Accounts Circular.   | The cash flow statement should be prepared in terms of the Format introduced by the Circular. | That it is agreed with the observation and that the financial statements will be prepared and submitted in a manner of minimizing such errors.  |

### 1.6.3 Statement of Financial position

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The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) According to the statement of financial position presented, the cost of non-current assets and the reserve relating thereto as at 31 December 2019 had been Rs.167,974.85 million. However, according to Treasury Accounting Statements, the said value had been Rs.167,999.22 million, thus indicating a difference of Rs.24.37 million.	Accurate financial statements should be prepared and submitted to Audit by reconciling values between the Treasury printouts and books.	That the audit observation is correct.
(b) The cost of motor vehicles, furniture and office equipment and machinery remained as at 31 December 2017 had been understated by Rs.36,548.12 million and the cost of buildings and constructions had been overstated by Rs.32,350.82 million as opening	The financial statements should be prepared and submitted for the following year by rectifying these errors.	-Do-

balances of the year 2018. Moreover, cost of lands amounting to Rs.42,743.43 million had not been indicated in such a way and as such, the cost of assets of the year 2018 had been understated by Rs.46,940.73 million. However, adjustments had not been made to opening balances that remained as at 01 January 2019 for rectifying the said errors. Further, a sum of Rs.7,102.99 million out of that, had been indicated as an acquisition of land during the year under review instead of adjusting to opening balances.

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| (c) | Acquisition of capital assets in the year 2018 had been understated by Rs.14,793.13 million, thus understating the capital assets as at 31 December 2019 by a similar value.  | -Do-  | -Do-                                   |
| (d) | According to the statement of financial position presented, the cost of property, plant and equipment as at 01 January 2019 had been Rs.120,885.40 million. However, according to the statement of non-financial assets (Format ACA-6), the said value had been Rs.117,020.52 million, thus indicating a difference of Rs.3,864.88 million. Moreover, according to the statement of non-financial assets (Format ACA-6), the cost of buildings and constructions and machinery and equipment as at 01 January 2019 had been Rs.99,038.01 million and Rs.20,697.58 million respectively and thus, the total value thereof should be Rs.119,735.59 million. However, instead of that, the said value had been indicated as Rs.117,020.52 million. | Adjustments should be made so as to avoid errors in adding and financial statements should be prepared and submitted for the following year by rectifying these errors. | That the audit observation is correct. |

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| (e) | According to the statement of non-financial assets (Format ACA-6), value of other constructions totalling Rs.150,951 as at 31 December 2019 had not been credited to the total value of buildings and constructions, thus understating the cost of fixed assets by a similar value as at 31 December 2019.  | -Do-   | -Do-                                   |
| (f) | According to the Treasury Accounting Statements, the cost of buildings and constructions acquired during the year under review, amounting to Rs.6,501.94 million had not been included in the statement of non-financial assets (Format ACA-6). Further, according to Treasury Accounting Statements, the cost of motor vehicles, furniture and office equipment and machinery and equipment acquired during the year under review, had been Rs.10,505.27 million. However, it had been included in the statement of non-financial assets (Format ACA – 6) as Rs.19,974.49 million. Accordingly, nonfinancial assets had been overstated by Rs.2,967.27 million as at 31 December 2019. | Financial statements should be prepared and submitted for the following year by rectifying these errors. | -Do-                                   |
| (g) | A sum of Rs.15.28 million spent for 03 construction projects of 03 hospitals under purview of the Ministry, had been brought to account under other Objects instead of accounting under the Object of acquisition of capital assets. As such, non-financial assets had been understated by a similar value as at 31 December 2019.  | Financial statements should be prepared and submitted for the following year by rectifying these errors. | That the audit observation is correct. |

- (h) According to the Final Treasury Accounting Statements, there was a balance of Rs.1,221.56 million as at 31 December 2019 under other Advance Account. Nevertheless, it had not been disclosed in the statement of financial position.
- Do- -Do-

#### 1.6.4 Imprest Balance

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The following observations are made.

Audit Observation -----	Recommendation -----	Comments of the Chief Accounting Officer -----
<p>(a) According to the consolidated detailed trial balance under the CIGAS Programme of the Ministry, receipts of imprests totalled Rs.3,319.28 million. Imprests totalling Rs.177,481.06 million comprising Rs.177,478.56 million as Treasury imprest under 7002 and Rs.2.5 million as imprest under 7003 had been received. Moreover, according to the consolidated detailed trial balance of the Ministry, payment of imprests had been Rs.180,585.32 million. Accordingly, the imprest balance as at 31 December 2019 should be Rs.215.02 million. However, according to the Final Treasury Accounting Statements, the imprest balance had been Rs.471.05 million.</p>	<p>Receipts, payments and the balance of imprests should be identified accurately.</p>	<p>That the audit observation is correct.</p>
<p>(b) The total balances unsettled as at 31 December 2019 in 02 imprest accounts operated by the Ministry had been Rs.471.05 million. Out of that, a sum of Rs.53.99 million had not been settled even by 22 May 2020. The unsettled imprest balance had contained a sum of Rs.362,702 million granted to the Teaching Hospital, Batticaloa but not settled since the year 1997 and other sum of Rs.18.74 million had been reported as an error occurred in the CIGAS Programme. However, the said error had not been rectified.</p>	<p>Action should be taken to settle the imprest balances duly and to reconcile monthly.</p>	<p>That the audit observation is correct.</p>

#### 1.6.5 Lack of Evidence for Audit

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Evidence for audit of following transactions, had not been made available.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) Documentary evidence such as schedules for non-financial assets costing Rs.167,974.85 million as at 31 December 2019 and accurate information and reports on moneys recoverable from 107 Medical Officers who had left the service, of the Ministry as at that date, had not been made available to Audit. As such, transactions and assets relating thereto could not be satisfactorily vouched or verified.	Action should be taken by paying attention towards Section 42(a) of the National Audit Act, No. 19 of 2018 that any person who fails to furnish vouchers, schedules, files, reports, information and other evidence, commits an offence.	That the audit observation is correct.
(b) Three files relating to 03 transactions totalling Rs.1.05 million carried out by the Development Division in the year under review had not been made available to Audit even by 15 September 2020.	- Do-	That the audit observation is correct and responsible officers have been briefed.
(c) Information on items of equipment issued to Ministers and Deputy Ministers by the Ministry, requested at 10 instances of the year under review for auditing, information on computer software purchased for the Ministry and hospitals and health institutions under purview of the Ministry, information on ventilators installed in Benz ambulances provided to 06 Government hospitals, information on installation of software system for management of vehicle pool owned by the Ministry, information on providing motor vehicles to a Medical Officer appointed on temporary basis for covering up duties of the post of the Deputy Director which was vacant, of the Kurunegala Teaching Hospital,	- Do-	That relevant information will be made available later.

information on cadre of the Ministry, information on implementation of transfers of Specialist Medical Officers and Medical Officers, information on number of Specialist Medical Officers required for each subject area and full details on loan files issued in the year under review, had not been made available to Audit even by 31 December 2020.

1.6.6 Irregular Transactions without Authority

The following transactions had been carried out by the Ministry without authority.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
<p>(a) The contract of supplying 20 GPS Devices for motor vehicles of the National Hospital, Kandy had been awarded on 17 July 2017 . However, an agreement had not been entered into with contractor even by 21 June 2019, the date of audit. Moreover, a sum of Rs.366,072 had been overpaid during the period from 25 July 2017 to 06 September 2019 than the monthly rental payable in terms of the decision of the Procurement Board. Action had not been taken even by the month of June 2019, the date of audit, to remove GPS devices installed in 03 motor vehicles which were removed from use since a period of 1 ½ years and to install them in ambulances or in any other required vehicles and a sum of Rs.199,327 had been paid as hire charges for those devices during the relevant period.</p>	<p>Overpayments made should be recovered. Action should be taken to make use of equipment that remained idle.</p>	<p>That the audit observation is correct.</p>
<p>(b) The contract of networking the Kandy National Hospital premises and installation of Health Information Management System had been awarded for Rs.59.49 million with Value Added Tax. Contrary to the contract agreement, works had been completed on 25 January 2019 after a delay of 230 days. However, payments for the final bill of the contract had been made by 07 November 2016 and liquidated damages of Rs.6.49 million had not been recovered for 230 days. It was observed at the spot test checks</p>	<p>A formal inquiry should be conducted in respect of payments made for the final bill before completing the contract and failure to charge liquidated</p>	<p>That the audit observation is correct and the Health Information Management System is functioning properly by now.</p>

carried out on 11 and 27 November 2019 at places such as chemical pathology laboratory, out patients laboratory, out patients research unit, outpatient dispensing pharmacy, dermatology clinic and diabetic clinic that Health Information Management System is not operated in those divisions and objective of installation of the said system and expected output had not been reached.

A number of 125 barcode readers and 03 barcode printers purchased by the hospital and provided by the Ministry for the Health Information Management System, had remained idle in the hospital stores without being utilized. Moreover, 02 barcode printers and 07 Laptop computers provided to 04 divisions had remained idle.

damages. Action should be taken to achieve the objective of installation of the system and to achieve the expected output.

- (c) In terms of Section 3(5) of the Private Medical Institutions (Registration) Act, No. 12 of 2006, fifty per centum of the fees collected in the registration of private medical institutions shall be remitted to the respective Provincial Council. Instead of that, the said amount had been remitted to Provincial Directors of Health Services. Moreover, a sum of Rs.1.55 million out of the sum to be granted to the Western Provincial Council had been directly spent by the Private Health Services Regulatory Council for payment of salaries and allowances to employees attached to the Provincial Council. As such, a sum of Rs.8.19 million paid by the Private Health Services Regulatory Council during the year under review had not been credited to relevant provincial council funds.

Action should be taken in terms of provisions of the Act and the Act should be amended appropriately whenever necessary. That the audit observation is correct.

- (d) A number of 173 research proposals had been submitted for approval during the year under review. Out of that, 57 research proposals had been approved while 02 research proposals had been rejected. Action had not been taken even by 31 May 2020 either to approve or to reject remaining 114 research proposals. In terms of paragraph 4(11) of the Management Services Circular No.02/2014 of 11 February 2014, an interim report of the research including its progress against the Action Plan of the proposal should be submitted to the Research Management Committee within a period of 06 months from the date of commencement of the research. However, those interim reports relating to 393 researches exceeding 6 months, had not been

Research allowance should be paid in terms of circular provisions. Overpayments made should be recovered.

-Do-

submitted. A sum of Rs.5.11 million had been paid as research allowances in the year under review for 57 researches by which interim reports had not been submitted, without proper approval. Further, a sum of Rs.243,276 had been overpaid to 25 officers due to errors occurred in computation of research allowance.

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| (e) | <p>Payment of specimen allowance for officers in the Profession Supplementary to Medicine, holding posts such as Medical Laboratory Technologist, Radiographer, Physiotherapist, and EEG Recorder, had been made based on a very old circular for medical tests carried out outside the normal duty hours. Further, it was revealed at the audit test checks carried out on general hospitals in Matara, Polonnaruwa, Badulla and Jaffna that action had not been taken to minimize the payment of overtime and specimen allowance through implementation of the duty roster considering matters such as expansion of laboratories, radiology units and physiotherapy units at present, carrying out tests by using modern equipment and deployment of more officers in the Profession Supplementary to Medicine in relevant divisions and that overpayments had been made due to payment of specimen allowance by indicating several compounds/constituents contained in the test written by the Medical Officer, as separate tests, and that separate records had not been maintained for tests carried out in and outside the normal duty hours and that specimen allowance is overpaid by maintaining forged records and reports in various ways. Moreover, it was further revealed that specimen allowance has been obtained by carrying out tests after normal duty hours about three times the number of tests carried out during normal duty hours and that specimen allowance had been paid without maintaining any register including information on certain tests.</p> | <p>Action should be taken to establish fixed general criteria for overtime and specimen allowance through implementation of the duty roster considering current technical changes and other relevant matters and accordingly to revise the circular. Over payments made should be recovered.</p> | <p>That the audit observation is correct.</p> |
| (f) | <p>A Medical Officer of the Katunayake International Airport Health Office had been released for a training programme conducted in the National Institute of Health during the period from 16 September to 06 December 2019. Forged records had been made in the diary that the said officer had engaged in on call duties during the said period and based on that matter, a sum of Rs.112,649 had been paid as holiday pay and additional duty allowance for the two months of September and October 2019.</p>  | <p>Overpayments made should be recovered. Measures should be taken in terms of paragraphs 8.1 and 8.2 of Chapter XLVII of Volume II of the Establishments Code.</p>  | <p>-Do-</p>                                   |

2. Financial Review

2.1 Imprest Management

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
Out of imprests of Rs.177,713.45 million applied for the year under review, imprests issued by the Treasury had been Rs.177,478.72 million. As such, provision made by Parliament could not be utilized as planned due to non-issuance of imprests of Rs.234.73 million.	Imprests should be applied according to an accurate and realistic plan.	That the audit observation is correct.

2.2 Expenditure Management

It was confirmed according to following observations that accurate and realistic estimates had not been prepared in terms of provisions of Financial Regulation 50.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
(a) The entire provision totalling Rs.1,057 million made for 09 Capital Objects by the Annual Budget Estimate - 2019 had been transferred to another Object in terms of Financial Regulation 66.	Accurate and realistic estimates should be prepared in terms of provisions of Financial Regulation 50.	That the audit observation is correct.
(b) Provision totalling Rs.1,672.85 million comprising Rs.196.60 million and Rs.1,476.25 million made for 10 Recurrent Objects and 14 Capital Objects respectively by the Annual Budget Estimate – 2019, had been increased up to Rs.7,838.63 million from 100 per cent to 3593 per cent by supplementary estimates and transfers in terms of Financial Regulation 66.	-Do-	-Do-
(c) In addition to provision of Rs.550 million made by supplementary estimates for 11 new Capital Objects not included in the Annual Budget Estimate, provision of Rs.256.52 million had been transferred in terms of Financial Regulation 66.	-Do-	-Do-

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| (d) | The entire new provision of Rs.7,014.65 million made for 36 Objects including a new Object for which provision had been made by supplementary estimates and 05 Objects for which provision had been transferred through Financial Regulation 66, had been saved.  | -Do-   | -Do- |
| (e) | Provision amounting to Rs.2,980.02 million out of net provision totalling Rs.3,723.59 million made for 45 Capital Objects and 02 Recurrent Objects, had not been utilized. Those savings out of net provision had ranged between 50 per cent and 99 per cent.   | Provision should be made so as to be adequate for the function that can be performed during the year by determining the period of commencement of the said function.   | -Do- |
| (f) | Savings out of additional provision of Rs.585 million made for 07 Capital Objects in terms of Financial Regulation 66 and supplementary estimates, amounted to Rs.492.64 million and those savings out of additional provision had ranged between 50 per cent and 100 per cent.   | Accurate and realistic estimates should be prepared in terms of provisions of Financial Regulation 50.   | -Do- |
| (g) | According to the financial statements presented, the net provision made by Parliament for 9 Objects for the year 2019, amounted to Rs.87,608.73 million. However, the actual expenditure on those 9 Objects had been Rs.88,574.89 million. Accordingly, expenditure had been incurred exceeding the net provision by Rs.966.15 million. Moreover, liabilities totalling Rs.371.73 million and Rs.1,923.53 million had been incurred according to the Treasury books and the financial statements respectively in the year 2019 for the Objects mentioned above. | Identification of exceeding of provision in advance through establishment of a mechanism with proper supervision on utilization of provision and expenditure should be incurred only after making provision as required. | -Do- |

2.3 Incurring of Commitments and Liabilities

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 The following observations are made.

Audit Observation -----	Recommendation -----	Comments of the Chief Accounting Officer -----
(a) Liabilities of Rs.2,098.62 million had been incurred exceeding the savings of provision made for 24 Objects contrary to Financial Regulation 94(1) and according to the schedule made available to Audit, liabilities of Rs.443.35 million had been incurred under 25 Objects that could not be specifically recognized.	In terms of Financial Regulation 94(1), except where otherwise provided for, no expenditure or commitment shall be incurred by any department for work, service or supply, unless financial provision exists therefor in the Annual Estimates.	That the audit observation is correct.
(b) Contrary to provisions of the State Accounts Circular No.255/2017 of 27 April, 2017, commitments totalling Rs.1,501.11 million comprising Rs.1,426.29 million relating to the programme on operations and Rs.74.82 million relating to development programme had been indicated as liabilities in the Statement of Commitment and Liabilities as at 31 December 2019.	Action should be taken in terms of provisions of the State Accounts Circular No. 255/2017 of 27 April 2017.	-Do-
(c) Forty three liabilities amounting to Rs.26.72 million which had not been incurred as a liability at the beginning of the year or as a liability during the year, had been indicated as liabilities as at 31 December 2019. Further, 51 liabilities amounting to Rs.15.57 million which had been incurred as a liability at the beginning of the year or as a liability during the year, had not been indicated as liabilities as at 31 December 2019.	Action should be taken to identify commitments and liabilities accurately.	-Do-

(d)	Liabilities of Rs.125.85 million had been overstated due to mathematical errors in the Statement of Commitments and Liabilities.	-Do-	-Do-
(e)	Liabilities of Rs.1,000.93 million which had not been incurred as a liability at the beginning of the year or as a liability during the year, had been indicated as a liability settled during the year.	-Do-	-Do-
(f)	Liabilities of Rs.234.7 million relating to the Batticaloa Teaching Hospital and liabilities relating to 08 hospitals and institutions under purview of the Ministry, had not been included in the Statement of Commitments and Liabilities.	Commitments and liabilities relating to all hospitals and institutions should be included.	-Do-
(g)	According to the Treasury Accounting Statements, liabilities as at 31 December 2019 had been Rs.4,581.90 million. Nevertheless, according to the Statement of Commitments and Liabilities, the said value had been Rs.42,756.78 million, thus indicating a difference of Rs.38,174.87 million.	Difference of commitments and liabilities should be identified by reconciling financial statements and Treasury Accounting statements and then, necessary adjustments should be made.	-Do-

#### 2.4 Issuance and Settlement of Advances

- (a) The following observations are made on issuance and settlement of Ad hoc sub-impressts and Advances.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(i) In terms of Financial Regulation 371(5) as revised by the Public Finance Circular No.03/2015 of 14 July 2015, ad-hoc sub-impressts obtained should be settled within 10 days after completion of the purpose. However, ad-hoc sub-impressts totalling Rs.16.88 million issued at 405 instances, had been	Ad-hoc sub-impressts should be settled immediately after completion of the purpose and a methodology for recovery of penalty for delays should be introduced.	That the audit observation is correct.

settled with a delay of a period ranging from 01 month to 11 months after completion of the purpose. Further, ad-hoc sub-impressts of Rs.175,720 issued at 08 instances had not been settled even by 01 June 2020.

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| (ii)  | Ad-hoc sub-impressts valued at Rs.578,482 issued in 22 instances had been retained in hand for a period from 03 days to 60 days and repaid without being used for the relevant purpose.                           | Ad-hoc sub-impressts should be settled immediately after completion of the purpose and a methodology for recovery of penalty for delays should be introduced. | -Do- |
| (iii) | Savings after completion of the purpose, amounting to Rs.1.3 million out of ad-hoc Sub-impressts of Rs.7.82 million issued in 219 instances, had been returned with a delay of a period from 10 days to 223 days. | -Do-  | -Do- |
| (iv)  | Fuel advances of Rs.2.29 million relating to 269 instances had been settled with a delay of a period from 01 month to 11 months.  | -Do-  | -Do- |
| (v)   | Capital advances of Rs.10.31 million issued at 11 instances during the three years 2017, 2018 and 2019 had not been settled even by 26 May 2020.  | Action should be taken to settle advances immediately after completion of the purpose and follow up action should be taken thereon.                           | -Do- |

(b) The following observations are made on issuance of advances to Public Officers.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
(i) A sum of Rs.95.21 million was recoverable from 1,580 officers and employees who had transferred out to other ministries, departments, hospitals and other institutions owned by the Ministry and to Provincial Councils due to reasons such as failure in adjusting loan balances between transfer institutions as a result of failure to take steps to settle loan balances at the time of transfer of officers and employees, lack of information including credit cards on payments of loans and loan files. Out of that, a sum of Rs.49.36 million representing 51 per cent recoverable from 881 officers and employees, were loan balances exceeding 05 years.	Action should be taken in terms of circular provisions to settle loan balances within 03 months after the officer had transferred out.	That the audit observation is correct.
(ii) A sum of Rs.56.14 million was recoverable from 1,549 officers and employees of the Ministry who had deceased, retired, been interdicted and vacated of post due to reasons such as delay in issuing orders for vacation of post to officers and employees who had left the service, unable to find out present addresses of officers, delay in submitting loan files , lack of guarantors due to the service over 10 years and failure in taking prompt legal action. Out of that, a sum of Rs.20.84 million representing 37 per cent recoverable from 584 officers and employees, were loan balances exceeding 05 years.	Action should be taken in terms of provisions of the Establishments Code to recover loan balances.	That the audit observation is correct.
(iii) In terms of Public Administration Circular No.07/2015 of 26 March 2015, festival advances to public Officers should be recovered at 08 monthly instalments. However, festival advances amounting to Rs.231,300 granted to 123 officers were brought forward over a period between 01 and 05 years without taking action to settle them.	Action should be taken in terms of provisions of the Public Administration Circular No.07/2015 of 26 March 2015.	-Do-

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| (iv) | According to the Reconciliation Statement of the Advance B Account of Public Officers, submitted by the Ministry for the year ended 31 December 2019, the balance of the Advance Account according to departmental books, had been Rs.2,652.58 million. However, according to the Treasury printouts, the balance of the said Account had been Rs.2,653.01 million, thus indicating a difference of Rs.431,555. Action had not been taken to rectify it by identifying reasons for the difference.  | Relevant adjustments should be made without delay by reconciling with Treasury books.    | -Do- |
| (v)  | According to the Reconciliation Statement, the loan balance recoverable from employees who had transferred out to hospitals belonging to the Ministry, had been Rs.15.43 million and the loan balance payable to employees who had transferred in to hospitals belonging to the Ministry, had been Rs.9.01 million. Even though there was no possibility of occurring debtors and creditors balances in the same item, the manner in which these balances had resulted, was not confirmed in audit. | Relevant adjustments should be made expeditiously by identifying matters caused thereto. | -Do- |

2.5 Operation of Bank Accounts

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The following observations are made on Bank Current Account operated in favour of the Director General of Health Services.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) One hundred and five cheques valued at Rs.3.61 million remained uncashed for more than six months but not submitted to bank for making payments as at 31 May 2020, had been transferred to the General Deposit Account without crediting to the Revenue in terms of Financial Regulations 394(c) and 396 (d).	Action should be taken in terms of Financial Regulations.	That the audit observation is correct.

- |     |  |   |      |
|-----|--|---|------|
| (b) | Detailed schedules for payments and receipts of Rs.55.23 million and Rs.9.2 million respectively unidentified as at 31 May 2020, had not been made available. As such, the accuracy of these figures could not be confirmed.   | Detailed schedules should be made available for all figures indicated in the Bank Reconciliation Statement. | -Do- |
| (c) | Most of cheques written for impairment of salaries, had been indicated in the Bank Reconciliation Statement as cheques not submitted for payments. After exceeding 6 months, those cheques had been transferred to the General Deposit Account. However, it had not been confirmed whether those cheques had been handed over to relevant payees or whether those had been transferred to the General Deposit Account by retaining in hand for a period of 6 months. | Action should be taken to hand over all cheques to relevant payees without delay.                           | -Do- |

### 3. Operating Review

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#### 3.1 Planning

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Shortcomings in planning in terms of the Public Finance Circular No.2014/01 of 17 February 2014, are given below.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) In terms of paragraphs 03 (d) and (f) of the Circular No. PFD/RED/01/04/2014/01 of 17 February 2016 of the Ministry of Finance and Planning, Imprest Requirement Plan for annual activities and Internal Audit Plan, had not been furnished along with the Action Plan.	Action should be taken in terms of circular provisions.	That the audit observation is correct.
(b) Information on 03 projects for which provision of Rs.534 million had been made from supplementary estimates during the year under review, had not been included in the revised Action Plan. Further, performance of 11 projects with provision of Rs.4,058 million included in the Annual Action Plan or revised Action Plan had not been included in the Progress Report. As such, physical and financial performance of those projects could not be examined.	Performance of all projects implemented during the year should be included in the evaluation report.	-Do-

- (c) It was observed that the Annual Action Plan prepared for the year 2019 had not been made use of as an effective instrument of control due to reasons such as non-mentioning of Objects relating to certain projects included in the Annual Action Plan and mentioning as no Object, non-identification of targets relating to physical and financial performance, non-mentioning of time frame relating to implementation of activities and non- identification of officers responsible for implementation of the project as well as non-identification of annual provision requirement.
- All information should be included in the Annual Action Plan.
- Do-

### 3.2 Activities contrary to Key Functions

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#### Audit Observation

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In terms of the Minute of Public Health Management Assistants Service, the competitive examination for recruitment to the Public Health Management Assistants' Service should be conducted by an institution approved by the Secretary to the Ministry. However, the Acting Secretary had given authority to conduct the said examination in the year 2018 by the Examination Division of the Ministry of Health, Nutrition and Indigenous Medicine without any authority whatsoever despite having the possibility of conducting the said examination through the Department of Examination. It was observed that the said examination had not been conducted by the Examination Division of the Ministry with greater transparency and proper internal control due to reasons such as, non-preparation of question papers by a skilled independent board, failure to protect the confidentiality of duties relating to question papers, failure to sign certificates of confidentiality by officers who had evaluated answer sheets and translated question papers, non-function of CCTV Camera system of the Examination Division of the Ministry, evaluation of the Aptitude answer sheet by Top Management officers of the Ministry, involvement in duties of

#### Recommendation

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Action should be taken in terms of the Minute of Public Health Management Assistants Service.

#### Comments of the Chief Accounting Officer

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In terms of the Minute of Public Health Management Assistants Service, the examination could be conducted by an institution approved by the Appointing Authority i.e. Secretary of Health and thus, action had been taken to conduct this examination by the Examination Division of the Ministry of Health. Moreover, action had been taken to conduct the examination in accordance with procedures existed in the Examination Division until now due to lack of formal Government Guidelines for conducting examinations. As re-evaluation of answer sheets is carried out even for Government public competitive examinations

evaluation of answer sheets by the Director (Examination) and the Administrative Officer (Examination ) who should supervise those evaluations.

Errors in evaluation of answer sheets were revealed due to matters such as failure to re-evaluate the answer sheets by officers who had evaluated those papers and to recheck the said answer sheets by another supervisor, failure to discuss uncertain answers by a supervisory committee, provided by candidates. After the audit test check carried out in this connection, question papers were rechecked and 54 candidates who were qualified at the first time had been disqualified while unqualified candidates had become qualified candidates.

conducted by the Department of Examinations, Sri Lanka, and after pointing out by the audit report that there were errors in evaluating answer sheets of this examination, a board of experts had been appointed therefor and answer sheets were re-evaluated and revised result sheets had been made available to Audit. Further, future action will be taken to make recruitments through an examination conducted by an institution approved by the Secretary of Health, the Appointing Authority.

### 3.3 Non-achievement of expected Output Level

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
(a) Out of 13 major development projects at the total cost of Rs.121,956 million indicated in the Annual Budget Estimate -2019 of the Ministry of Health and Indigenous Medical Services, the project of construction of the Karapitiya Helmut Kohl Maternity Hospital, costing Rs.5,130 million should be completed in the year 2018. However, it had not been completed even by 31 December 2019. Further, expected physical progress of 100 per cent had not been achieved by 04 development projects such as the project of construction of the Ministry building costing Rs.37,529 million, expected to be completed by 31 December 2019, the development project of hospitals in Northern Province together with the	Expected performance of projects should be achieved.	Audit observation is correct. Constructions had been delayed due to matters such as delay in appointing a consultant of the Consulting Agency, delay in the procurement process, delay in granting approval of the consulting agency due to complexity of the Engineering Plan of the air-conditioning system and chaotic condition of the work site, unfavourable weather condition, non-receipt of provision properly, delay in making payments to the contractor, complications in constructions, failure to complete constructions as per the programme agreed by the

Government of Sri Lanka and Netherlands, High Quality Radiotherapy Project for Cancer Patients in Sri Lanka with Energy Radiation and project of construction of ten Stroke Centres at district level equipped with all facilities and the project of Improvement of Accident and Emergency Care Services in those hospitals.

contractor and due to outbreak of Covid 19 pandemic during the year 2020. Further, about 97 per cent of constructions have been completed by now and the said project would be completed by the end of the second quarter of the year 2021.

- (b) The Ministry had allocated provision of Rs.696 million during the year under review for the implementation of 50 capital projects to the National Hospital of Sri Lanka and Colombo South Teaching Hospital. Seven out of the said 50 projects had been cancelled and 30 projects had not even been commenced. The performance of 8 projects at an estimated cost of Rs.4,098 million, by which 100 per cent performance is expected in the preceding year and the year under review, was less than 50 per cent as at 31 December of the year under review.
- Action should be taken to achieve targets as planned.
- That those projects will be completed in the years 2020 and 2021.
- (c) Data had not been properly entered into the Fellowship Information System in an updated manner, installed by spending Rs.4.75 million in the International Health Division by the Ministry for maintaining a central information system in an updated manner as a part of human resource information system for official foreign tours. As such, the objectives expected by the Ministry had not been achieved by installation of the said system.
- The System should be maintained in an updated manner.
- That the audit observation is correct.

### 3.4 Projects not completed on due Date

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Audit Observation	Recommendation	Comments of the Chief Accounting Officer
<p>In terms of the Cabinet Decision of 24 November 2017, the Project of construction of six storied building with operating theatres of the Horana Base Hospital, had been awarded on 27 November 2017 to the State Engineering Corporation at a cost estimate of Rs.1,330.40 million with tax on Turn-Key (Design and Build) basis on the approval of the Fixed Technical Evaluation Committee of the Ministry of Housing and Constructions. According to the letter of awarding of the contract, works should be commenced within 14 days from the date of awarding the contract and should be completed within 24 months from that date, i.e. on 27 November 2019. However, the work site had been properly handed over after a delay of 10 months. Even though the Cabinet approval had not been granted to complete the project in stages, the State Engineering Corporation had proposed that the cost estimate of Rs.1,330.40 million is relevant only for the first stage of the proposed building, the cost for the entire building is approximately Rs.2,400 million and accordingly, the Cabinet approval should be obtained for the second stage as well. The Ministry had not taken action even by 31 May 2020, the date of audit to settle issues arisen and the physical progress of the project by 31 December 2019 had been only 10 per cent.</p>	<p>Action should be taken under proper supervision to get the works completed in terms of the contract agreement.</p>	<p>That the audit observation is correct.</p>

### 3.5 Projects abandoned without completing

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Audit Observation	Recommendation	Comments of the Chief Accounting Officer
<p>Out of projects of establishment of the child care complexes commenced in the year 2017 in hospitals in Karapitiya, Ampara and Jaffna for which</p>	<p>Proper plans should be prepared so as to implement projects</p>	<p>That the audit observation is correct.</p>

provision of Rs.400 million had been allocated by the budget estimate – 2019, the project of Jaffna Hospital had not been commenced due to failure in acquiring lands. Further, out of projects commenced in the year 2018, for the establishment of specialized centres in two National Hospitals in Colombo and Kandy and in the Anuradhapura Teaching Hospital to manage serve obstetric complications and medical diseases complicating pregnancies for which provision of Rs.300 million had been allocated by the budget estimate, the project proposed to be implemented in the Anuradhapura Teaching Hospital had not been commenced even by 31 May 2020.

within due periods and action should be taken to complete within the proposed time frame.

### 3.6 Delays in the Execution of Projects

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
<p>(a) As the Engineering Estimate had been prepared exceeding the value recommended by the Department of National Planning for 04 construction projects such as the construction of the New Dental Unit and Stage 2 of Cancer Ward Complex Construction Project of the Ratnapura Provincial General Hospital, construction of a building for the National STD / AIDS Control Program and a project to construct a new building for a specialized child development center in the Colombo District for which provision of Rs.369.14 million had been allocated and planned to be completed by 31 December 2018, future procurement activities could not be carried out.</p>	<p>Action should be taken to obtain recommendations from the Department of National Planning for the Engineering Estimate prepared exceeding the value recommended by the Department of National Planning and to complete procurement activities within due time frame.</p>	<p>That the audit observation is correct.</p>
<p>(b) The Cabinet approval had been received on 28 October 2015 for inviting national competitive bids for the Project of improvement of the Out Patients' Department, Laboratory and Radiology Unit of the Angoda Base Hospital. However, bids had been invited after 02 years of receiving the Cabinet decision due to delay in approving draft bidding documents. In terms of paragraph 4.2.3 of the Government Procurement Manual, the maximum</p>	<p>Action should be taken to complete procurement activities within due time frame.</p>	<p>- Do -</p>

period that can be taken for procurement activities is 06 weeks. However, 120 weeks had been spent for procurement activities by 28 February 2020, the date of audit and action had not been taken even at that time for awarding the contract. A sum of Rs.24.12 million had been spent in the year 2016 for planning activities of the project and a sum of Rs.14.57 million out of provision of Rs.200 million made for the project in the year 2018, had been spent for another project while the savings had been transferred to another Object.

### 3.7 Foreign Aid Projects

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 The following observations are made.

Audit Observation -----	Recommendation -----	Comments of the Chief Accounting Officer -----
(a) In terms of Regulations imposed by the Central Environmental Authority, all clinical waste collected in Government hospitals, are hazardous waste and thus, such waste should be sterilized and disposed of within 48 hours after generating them. A formal mechanism in this connection had not been established at the national level and the Australian and Domestic Financing Project had been commenced in the year 2013 at the total cost of US\$ 21.11 million and Rs.452.24 million to supply and install 20 and 15 Meta Mizer machines and Incinerators respectively and for maintaining for a period of 5 years for the management of clinical waste. The said project had planned to dispose clinical waste of 134 Government hospitals divided into 06 clusters covering all provinces of the country. The following observations are made regarding the performance of the said Project.		
(i) The number of 15 incinerators proposed to be provided had been reduced up to 05 incinerators and the contractual value for incinerators of	In terms of Clause 5.1 of the operating agreement of the project, the annual	That the audit observation is correct.

US\$18.45 million had been reduced up to US\$ 16.19 million and in relation to that, the operating fee of the project had not been changed. operating fee should be revised in relation to reducing the number of machines.

- (ii) Despite having signed the agreement for the Australian and Domestic Financing Project in the year 2013, entered into with the knowledge of officers in three divisions such as the Project Division, Development Division and Environmental Division of the Ministry and Secretary to the Ministry and having a possibility of dividing 134 hospitals into 06 clusters so as to cover the whole island through the said project and management of clinical waste in each cluster, the officers of the Ministry had taken action in the year 2014, in a manner of being advantageous to the project submitted by another private company for management of clinical waste in the Western, Southern and Central provinces. Accordingly, 10 Meta Mizer machines and 08 Incinerators purchased under the Australian and Domestic Financing Project, and for which agreements were entered into for installing them in the Western, Southern and Central provinces, had been removed from the said Project and action had been taken so as to provide an opportunity to the said private company for management of clinical waste in the said 03 provinces. As such, the objective of management of clinical waste could not be achieved under the Australian and Domestic Financing Project. A new cluster plan should be created and implemented by identifying hospitals and health institutions by which disposal of clinical waste is carried out, located near hospitals in which those machines have been installed by now. - Do -
- (iii) The officers of the Ministry had taken action directly or indirectly with the intention of awarding the contract of disposal of clinical waste in Western, Southern and Central provinces to A revised agreement should be entered into including revisions made relating to the original agreement of - Do -

another private company, to enter into a commercial agreement in a manner of being beneficial to the said company, to weaken the cluster plan by changing 03 provinces covered more than 50 per cent of the scope of the Australian and Domestic Financing Project, to obtain the Cabinet approval to get the agreement of the Australian and Domestic Financing Project revised for taking action on clinical waste only in Northern, East, North Central, Wayamba, Sabaragamuwa, and Uva provinces. In addition to payment of loan installments obtained through the Australian and Domestic Financing Project and interest thereon, the total amount had to be paid to the said company and other institutions during the period of 04 years from the year 2016 to the year 2019 for removing clinical waste in 21 hospitals which were subjected to audit test checks, located in the said 03 provinces, had been Rs.384.12 million and the said amount was additionally charged on the Government.

- (iv) Moreover, Meta Mizer machines and incinerators supplied under the Australian and Domestic Financing Project, had not operated with the capacity mentioned in specifications and it had not been confirmed through an independent test whether the output of those machines are environmentally friendly. The process of disposal of clinical waste of several hospitals in one place (Cluster System) which is a main objective of the project, had totally failed. Further, a proper methodology for disposal of output of those machines through Local Authorities in a proper manner, had not been implemented throughout the island.

the Australian Aid Project. Action should be taken to examine in this connection and to identify responsible parties thereon and to take proper measures regarding those officers.

Action should be taken to confirm through an independent test that treated materials are free from bacteria or other germs, to identify the places suitable for disposing treated materials and to identify an appropriate mechanism for the management of clinical waste using these machines after completing operating activities of this project.

- Do -

- (b) The total cost of 75 Ultra Sound Scanners received as aid to the Division of Bio Medical Engineering Services by the Japanese non Project Grant Aid Programme in the year 2015, was Rs.337.24 million and 51 and 24 out of those scanners had been distributed to 41 hospitals of the Central Government and 23 Provincial Council hospitals respectively. However, the Division of Bio Medical Engineering Services had not checked whether these items of equipment had been properly installed by the relevant agency and issued a service certificate therefor.

Two items of these items of equipment provided to 02 hospitals of the Central Government and one item of equipment provided to a Provincial Council hospital had been inoperative for a period of 07 months, 01 year and 4 years respectively by 23 June 2020. Out of 02 items of equipment provided to 02 Central Government hospitals, 01 equipment was repaired after 07 months. However, action had not been taken to obtain a certificate after being tested by a Bio Medical Engineer on the part repaired or the spare parts fitted and whether the item of equipment is in a useable condition. Even though a period of 3 years had elapsed after the remaining item of equipment had been taken away for repairs by the relevant agency, it had not been returned even by 23 June 2020. In taking the equipment out of the hospital, action had not been taken as well to obtain a certificate that the said item of equipment should be repaired at the work site of the supplier. Moreover, an equipment which functions similarly to the aforesaid equipment should be supplied until the equipment is repaired. Nevertheless, an equipment dissimilar in function had been supplied.

Before agreeing to accept these equipment as aid, an agreement had not been entered into with the relevant company on service and maintenance thereof. An agreement had

Quotations should be called for ensuing years for which services and maintenance are required at the instance itself in which equipment are purchased or obtained on aid for minimizing cost on maintenance and service.

The prevailing internal control systems should be complied with. Equipment should be maintained in an updated manner for preventing equipment becoming inoperative. Moreover, the role of the Bio Medical Engineer post should be performed in installation, repair, maintenance and transport of equipment out of the hospital for repairs and reinstallation of same.

That the audit observation is correct.

been entered into on 27 July 2017 relating to the service and maintenance of the 51 items of equipment provided to hospitals of the Central Government, after expiry of a one year guarantee period by February 2016. Accordingly, an annual service and maintenance fee of Rs.22.95 million had to be paid for 51 items of equipment at the rate of Rs.450,000 per equipment to the relevant company. The said fee had been increased at 5 per cent and 7 per cent in the year 2018/2019 and the year 2019/2020 respectively and as a prior agreement had not been entered into, the conditions of the relevant agency, had to be met.

Information on the service and maintenance agreements of these 24 items of equipment distributed to 23 Provincial Council hospitals, had not been made available to Audit. Further, a sum of Rs.1.5 million had to be paid to the said agency for the service and maintenance of an equipment costing Rs.4.49 million provided to the Mahiyangana Base Hospital within a period of one year after the guarantee period.

### 3.8 Procurements

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The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) The activities of selecting a suitable contractor for supply of security service for the year 2019/2020 in the Ministry and institutions under its purview, had delayed. As such, the Ministry Procurement Committee had granted approval to extend the period of agreement of the old contractor up to 30 April 2019, who had supplied security service to 33	The overpayments made to all institutions should be computed and recovered from responsible parties therefor.	Explanations had been given relating to extension of the relevant service and increase of the number of security officers dated 28 May 2019 and 03 July 2019 respectively to the Ministry Procurement Committee C1, considering the situation that arose with the

institutions of which the period of agreement terminates from 28 February 2019 and to make payments based on the prices of the old contract. The Acting Secretary to the Ministry had decided, subject to the covering approval of the Ministry Procurement Committee to extend the period of contract once again from 01 May 2019 without adhering to the prescribed procurement procedure and to revise the fees payable. The covering approval of the Ministry Procurement Committee had not been received for the said decision and payments had been made according to revision of prices without proper approval. As such, out of 33 institutions, 06 institutions which had been subjected to audit, had been overpaid a sum of Rs.1.55 million for the 03 months from 01 May 2019 to 31 July 2019.

terrorist attack occurred on Easter Sunday. The said Committee had subsequently granted approval therefor.

- (b) A five part Hematology Analyzer with Slide Steiner had been purchased in the year under review by the Lady Ridgeway Hospital for Children by spending Rs.14.26 million. However, in terms of the Public Contracts Act, No.03 of 1987, the said machine had been purchased from a supplier who had not obtained the certificate of registration for this contract exceeding Rs.5 million. Even though it had been mentioned in the contract conditions that liquidated damages would be charged, the said matter and the amount of liquidated damages charged were not included in the
- Action should be taken in terms of Public Contracts Act, No.03 of 1987 relating to contracts exceeding Rs.5 million.
- That the audit observation is correct.

contract data. Liquidated damages had been charged at the rate of 1 per cent per week and up to a maximum of 5 per cent of the contract value without a decision of the Procurement Committee thereon.

- (c) The Ministry Procurement Committee had called quotations for purchase of 500 accessories of Defibrillator (Nihon Kohden, TEC – 8352k) for the Division of Bio Medical Engineering Services. Nevertheless, a Technical Evaluation Committee had not been appointed for the said procurement. Technical evaluations had been carried out by the Director (Finance) of the Division of Bio Medical Engineering Services, contrary to the Government Procurement Guidelines and recommendations had been made to select a supplier who had not obtained a certificate of registration issued by the National Medicines Regulatory Authority. As the cost of 500 accessories amounts to Rs.33.24 million, the procurement decision should be given by the Ministry Procurement Committee. However, the decision of purchasing only 200 accessories at Rs.9.17 million had been made by the Regional Procurement Committee.
- Action should be taken in terms of paragraphs 8.1 and 8.2 of Chapter XLVII of Volume II of the Establishments Code relating to contravening the Government Procurement Guidelines.
- Do-

- (d) Without adhering to Guidelines

-Do-

-Do-

2.6.1 (iv) and 5.3.1 (d) of the Government Procurement Guidelines and provisions in 2.11.3, 2.12 and 6.3.6 of the Government Procurement Manual, a freezer container had been purchased by the Apeksha Hospital, Maharagama in the year 2018 to store specialized anti-cancer drugs by spending a sum of Rs.5.44 million. A cold container with specifications unsuitable for storing specialized anti-cancer drugs had been purchased and kept idle over a period of one year and the guarantee period thereof as well, had expired. Moreover, In terms of Guidelines 5.4.6 (a) and paragraph 2.8.2 of Bidding Documents of the Government Procurement Guidelines, the retention money of Rs.0.27 million representing 05 per cent of the contract value should be released after a satisfactory service period approaching in a year. However, the full amount itself had been paid without doing so. Liquidated damages of 09 months could not be charged due to failure in including a clause on charging of liquidated damages, in the agreement.

- (e) The period of the old contractor Procurement activities had been extended from 17 months to 20 months without enable awarding of commencing procurement contracts within the activities for the year 2017/2018 prescribed period. before the expiry of the contract Decisions of the period of obtaining the service Procurement Committee of cleaning of the Ministry of Health including institutions should be of a high level under its purview for the year of transparency. 2016/2017. Action had been

-Do-

taken in the said manner in obtaining the cleaning service for the years 2018/2019 and 2019/2020 as well.

Contracts had not been awarded according to Procurement Time Schedules prepared for each year and the delay period was from 09 months to 20 months.

The quotations received relating to 08 institutions for the year 2017/2018 had been of high values. As such, the said bids had been cancelled and the Procurement Committee had decided to invite for bids again. However, action had not been taken to cancel quotations received for 17 other institutions despite taking a high value. Accordingly, it was observed that the decision of the Procurement Committee was devoid of transparency.

- (f) As the quotations received for supply of the cleaning service for the year 2018/2019 for the Colombo South Teaching Hospital, Kalubowila, had taken an unusually high value, the Ministry Procurement C 1 Committee held on 31 December 2018 had recommended awarding bids by deducting the annual labour cost and the total annual cost. Even though this procurement had been referred to Ministry Procurement Committee A due to exceeding the procurement limit, this contract had been awarded for a sum of Rs.113.63 million for the year ended 31 March 2020 without a price revision by the Procurement Committee A held on 23 January 2019. This contract had

A formal inquiry should be held in this connection and action taken in terms of paragraphs 8.1 and 8.2 of Chapter XLVII of Volume II of the Establishments Code.

-Do-

been awarded for a sum of Rs.81.10 million for the year 2019/2020. Accordingly, as compared with the year 2019/2020, the contract value of the year 2018/2019 had increased by Rs.32.53 million or 40 per cent.

### 3.9 Assets Management

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The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) The financial value relating to shortages revealed at the Annual Boards of Survey conducted in 31 instances during 12 years relating to 19 hospitals and institutions of the Ministry, had not been computed. Moreover, action had not been taken even by 31 May 2020 to recover the loss from parties responsible for the said shortages, if any.	Action should be taken in terms of Financial Regulations relating to shortages. Action should be taken in terms of paragraphs 8.1 and 8.2 of Chapter XLVII of Volume II of the Establishments Code relating to officers who had failed to fulfill responsibilities.	That the audit observation is correct.
(b) Even though necessary physical facilities had been improved, sections such as Orthopaedic and Dermatology and paying wards of the Nuwara Eliya Hospital had not been commenced even by 31 December 2019 due to the dearth of staff including Medical Officers.	In planning for the improvement of physical resources, the manner of obtaining human resources required for the utilization of the said resources as well should be planned. Action should be promptly taken to fill vacancies of the staff including Medical Officers.	-Do-
(c) Provision of Rs.61.54 million had been requested in the year 2017 for purchase of 131 items of bio medical equipment required for the new Maternity Unit of the Kurunegala Teaching Hospital. However, only	Action should be taken for making and supplying provision and equipment as planned, to prevent intensive care units and bio medical engineering	-Do-

provision of Rs.37.73 million had been made by the Division of Bio Medical Engineering Services for purchase of 106 items of equipment. As the remaining provision had not been made even in the years 2018, 2019 and 2020, out of 04 operating theatres of the new Maternity Unit, 03 had not been opened for treatment of patients.

- (d) The new unit comprising an ultra-modern tertiary treatment centre of 300 beds for patients with head and spine involvement, constructed in the Colombo National Hospital on a loan of US\$ 12 million equivalent to Rs.2,791.16 million granted to the Government of Sri Lanka on concessionary rates by the Saudi Development Fund, had been opened for treatment of patients from the year 2010. Nine years had elapsed after opening the said Unit. Nevertheless, one out of 06 intensive care units established in this section, had not been used for treatment of patients due to the dearth of staff of 159 comprising 16 posts of the medical staff. Moreover, another intensive care unit had been used as a High Defensive Unit. As such, 29 of the total number of beds in the intensive care units representing 44 per cent, had remained idle.
- An adequate specialized training is provided by the Post Primary Nursing School to nurses serving in intensive care units under the supervision of trained officers. However, the said training had been provided only to 08 Nursing Officers representing 04 per cent of the entire nursing staff of 185 attached to these 06 intensive care units during the period from the year 2011 to the year 2017.

equipment in hospitals remaining idle.

Necessary steps should be taken to fill the vacancies of the staff and to promptly utilize the intensive care units remaining idle, for the treatment of patients. Moreover, action should be taken to provide adequate training as required for nurses serving in the units.

-Do-

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| (e) | A fully automated slide preparation system (Biogenex fully automated IHC Strainer with glass slipper) had been purchased for the Histopathology Lab of the Colombo National Hospital in September 2018 by spending a sum of Rs.9.89 million. The procurement relating to this system had been awarded to a bidder who had not submitted the certificate of registration issued by the National Medicines Regulatory Authority. Moreover, action had not been taken to obtain even a performance security and the approval of the Head of the Institution for the recommendation of the Regional Procurement Committee as well. | Action should be taken against officers responsible relating to awarding of procurement to a bidder who had not submitted the certificate of registration issued by the National Medicines Regulatory Authority, failure in obtaining a performance security and approval of the Head of the Institution for the recommendation of the Regional Procurement Committee. | -Do- |
| (f) | The electric roller iron purchased at Rs.2.98 million on 23 May 2018 for the electric laundry which supplies the service of laundering linen of the Colombo National Hospital, had remained idle without being made use of due to the difficulty in using it.  | Action should be taken to use the electric roller iron.  | -Do- |
| (g) | Thirty items of medical equipment purchased by spending a sum of Rs.110.22 million by the Kantale Base Hospital and 49 items of medical equipment purchased by the Division of Bio Medical Engineering Service of which the value was not revealed, provided to the said hospital, had been given to the intensive care unit established in that hospital. However, it had to be kept closed from time to time during the period from December 2016 to July 2018 due to dearth of Anaesthetists. The said unit had been functioned as a High Defensive Unit after August 2018.   | Action should be taken to provide Anaesthetists to the hospital and to use the intensive care unit for treatment of patients.  | -Do- |
| (h) | A dialysis unit had been constructed in the Kantale Base Hospital by spending Rs.3.78 million in the year 2015 with the intention of providing treatment for kidney patients as a  | Action should be taken to commence treatment of kidney patients by attaching a Medical Specialist and to   | -Do- |

remedy for the trend in increase of the number of kidney patients. Forty four items of equipment comprising 03 Dialysis machines and 03 Multi para monitors had been purchased for the said unit in the year 2017 by spending Rs.11.94 million. Even though all equipment and staff required for the unit had been attached, treatment of patients had not been commenced in the said unit even by December 2020. The ability of dialysis of approximately 6,570 times had been prevented during the two years in which this unit remained idle. use the equipment.

### 3.10 Losses and Damage

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The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) The value of losses and omissions recorded under Head 111 by 31 December 2019 amounted to Rs.591.47 million and only Rs.91,850 of that had been recovered in cash during the year. The losses and damages for which action was not taken to recover in cash or to write off from books relating to 25 hospitals and institutions for a period over 05 years, was Rs.27.32 million.	Action should be taken in terms of provisions in Financial Regulations 104 to 109.	That the audit observation is correct.
(b) Payments relating to the period from February 2018 to January 2019 for supply of raw food items to the National Institute of Mental Health, Angoda and the Apeksha Hospital Maharagama, had been	Payments should be made in compliance with procurement decisions and conditions in agreements should be duly formulated. Action should be	-Do-

made contrary to taken in terms of procurement decisions. As paragraphs 8.1 and such, an overpayment of 8.2 of Chapter Rs.8.14 million had been XLVII of Volume made. Even though Rs.1.32 II of the million out of that had Establishments been recovered, a sum of Code relating to Rs.6.81 million had not officers who had been recovered even by 31 failed to fulfill August 2020. The recovery duties properly. of the said sum had been problematic due to failure in duly including the decision of the Procurement Committee as a condition in the agreement.

### 3.11 Management Weaknesses

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 The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) A sum of Rs.81.91 million should be recovered to the Government from 95 medical officers who had breached bond agreements entered into with the Government due to reasons such as failure in reporting for duty after going abroad for post graduate studies and offering compulsory service to the Government after reporting for duty and failure in reporting for duty after going abroad for jobs obtaining no-pay leave. Correct information on monies recoverable from 107 Medical Officers who had left the service, had not been recorded and as such, it was observed that the monies to be recovered to the Government from Medical Officers who had breached bond agreements amounts to a higher value than the value calculated.	Action should be taken to establish an internal control system appropriate and adequate to recover monies which are recoverable to the Government, looking into the ability of preparing agreements by including conditions so that breach of agreements will be discouraged and to take steps relating to officers who neglect those responsibilities.	That the audit observation is correct.

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| <p>(b) According to information obtained from 16 Nurses Training Schools under the purview of the Ministry, out of nurses recruited during an 18 year period from the year 1999 to the year 2017, the number of nurses who dropped out of the training stood at 861 and the sum to be recovered from 706 students of them, totaled Rs.281.99 million. However, according to information made available to Audit from time to time, it was confirmed that the number of nursing students who dropped out of the training during this period, exceed 1,000 and that the monies recoverable from them amounts to approximately Rs.325.33 million. As such, it was observed that complete and accurate information on the number of students who dropped out of the training and monies recoverable, was not available with the Ministry.</p>  | -Do-  | -Do- |
| <p>(c) In terms of Circular No.03/2017 of 19 April 2017 issued by the Secretary to the Ministry of Public Administration and Management, steps should be taken to maintain records relating to confirmation of arrival and departure of officers by using finger scanners in all Government institutions. Moreover, in terms of letter No. DMS/0016 of 12 May 2017 issued by the Secretary to the Treasury, the Secretary had been notified that if the finger scanners are not operated from 01 July 2017 so as to confirm the arrival and departure of the Health staff, responsibility should be taken to avoid paying overtime according to the current salary. Nevertheless, provisions in the said circular and letter had not been implemented even by 31 December 2019. The 213 finger scanners installed by the Ministry for the Ministry and hospitals and institutions under its purview by spending Rs.31.08 million, had remained idle without being made use of, and overtime had been paid to the staff based on current salaries. A total of Rs.62,571.62 million comprising Rs.34,868.54 million and Rs.27,703.08</p> | <p>Action should be taken to maintain records on arrival and departure of officers in terms of circulars and to maintain internal control systems required for making payments of additional duty allowances of officers accordingly.</p> | -Do- |

million had been paid in the year under review as salaries and overtime and holiday pay respectively without recording arrival and departure by using finger scanners. Moreover, the amount spent on overtime and holiday pay had been approximately 79 per cent of the salary cost.

According to information made available to Audit, it was observed that overtime paid for the period from January to June 2019 was Rs,5,894.09 million according to reports on monthly salaries and cadre of 21 hospitals under the purview of the Ministry and as compared with the total salary, it stands at 80 per cent and that despite having excess cadre in the posts of certain officers, overtime amounting to Rs.1,508.39 million had been paid even to the officers in the said posts during this period.

- (d) A decision had been made at a meeting held on 10 March 2016 at the office of the Director General of Health Services to spend a sum of Rs.4.2 million and Rs.1.2 million by the Medical Supplies Division and the Health Sector Development Project respectively for a research project proposed to be implemented by the Pathology Unit of the Matara General Hospital. The chemicals costing Rs.2.93 million required therefor had been purchased by the Matara General Hospital and information on whether additional expenditure had been incurred or not for the said project, was not made available to Audit. The Medical Officer In Charge of this research project had been transferred on 12 March 2019 and the report on the research proposed to be carried out during the period from March 2016 to February 2020 had not been handed over by the relevant Medical Officer.
- Action should be taken in terms of paragraphs 8.1 and 8.2 of Chapter XLVII of Volume II of the Code relating to officers who had neglected their responsibilities.
- That it is a project implemented based on laboratory tests which should be carried out compulsorily on medical advice for patients who arrive daily at the hospital for treatment, the equipment already being used in the hospital have been used for this project and that even though the project was not implemented, chemicals used therefor, should be provided for maintaining hospital services continuously.

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| (e) | In terms of Condition 10.3 in the agreement on supply of security services for the Matara General Hospital, no security officer should be deployed in service for more than 12 hours at a stretch. However, contrary to that, an overpayment of Rs.1.17 million had been made for 1,159 service shifts during the period from January to July 2018, by deploying security officers in service.   | Action should be taken in terms of conditions in supply of security agreements. Payments made contrary to the said conditions should be recovered from responsible parties.                                 | According to the agreement on supply of security services, overpayments made have been recovered and action has been taken to refrain from deploying Security Officers for more than 12 hours in service. |
| (f) | A sewerage system had not been established for collection, disinfection and disposal of sewerage and waste water generated in the Chilaw General Hospital. Action had been taken to dispose of this sewerage and waste water collected in two underground tanks to the bio-diversity lagoon in close proximity to the Chilaw Fishery Harbour through pipelines without being subjected to any kind of disinfection process.  | Sewerage and waste water collected in the hospital should be properly disinfected and disposed of.  | That the audit observation is correct.  |
| (g) | The system of issuing sanitation certificates to ships arriving at the Colombo Port had been implemented without proper internal control. The assistance of Public Health Inspectors had not been obtained for checking the relevant ships and the Medical Officers of Health had carried out all tasks such as checking of ships, issuing certificates, charging monies and issuing receipts therefor, deposit of monies in the cash safe, maintaining registers and banking of cash by themselves. A sum of Rs.647,632 charged during the period from January 2018 to May 2018 in which the audit examination was carried out, had been deposited in 05 instances without dates while there were 06 instances in which the total of Rs.184,800 had been retained in hand for a period between 02 and 03 weeks. | Responsibilities should be assigned to parties who have been authorized according to relevant Acts and Orders, and a mechanism of proper segregation of work should be implemented in financial activities. | That the audit observation is correct.  |

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| (h) | <p>In terms of Section 04 of the General Circular No.01-02/2016 of 30 March 2016 issued by the Secretary to the Ministry, Medical Officers should keep diaries in a place of easy access to the Head of the institution. However, the diaries of the Deputy Director who served in the Peradeniya Hospital during the period from 31 March 2017 to 29 August 2018, had not been handed over to the office even by 31 January 2020, the date of audit. It was revealed during the examination carried out relating to a sample of diaries made available to Audit, that there were 06 instances in which clear records on places and time of departure, time of arrival and duration were not kept. This officer had deployed a pool vehicle of the hospital in 15 instances of the year 2018 for his private use and in several instances had used the cab to travel to the Miloda Institute in Colombo without requirement of duty. Moreover, vehicles had been used for running a distance of 7,125 kilometers in 29 instances in the year 2018 without proper authority. According to daily running charts in January and February in the year 2018, additional allowances of Rs.49,704 had been obtained by the said Deputy Director for 57 hours in the said 02 months alone, in 20 instances which confirm that he was out of the hospital, indicating carrying out of ward duties and office duties in the hospital.</p> | <p>Action should be taken in terms of circular provisions and a formal inquiry should be held on the use of vehicles and obtaining additional allowances without proper authority and to make further proceedings thereon.</p> | -Do-                     |
| (i) | <p>The Ministry had not taken action to issue guidelines so as to cover all areas of health relating to issuing of prescriptions to patients. A handbook had been issued in the year 1994 only for the management of District Hospitals, terminal units and regional hospitals. It was revealed in a sample of prescriptions of 03 hospitals under the purview of the Ministry of Health and those issued to the Rajya Osusala that prescriptions had been issued without the name, address, sex and weight of the patient, not clearly written and with the</p>  | <p>Action should be taken to issue guidelines for prescriptions so as to cover all medical fields and the officers using prescriptions of relevant fields should follow the said guidelines. Moreover, health information</p>  | <p>No comments made.</p> |

trade name instead of the medical name. management  
 Further, short forms of standard drugs had systems established  
 not been used in those prescriptions and the in hospitals should  
 duration of treatment had been written in be implemented for  
 different ways. The Medical Officer had not preventing the  
 signed and placed the official stamp so as to shortcomings in  
 take responsibility for the details written in prescriptions.  
 the prescription and it was observed that in  
 the usage of drugs, problems could arise  
 due to using different measures for the  
 quantity of drug given to the patient.

### 3.12 Medical Supplies Division

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The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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<p>(a) The Cabinet had taken a decision that no medical supply whatsoever should be purchased without the recommendation of the Formulatory Revision Committee. Nevertheless, out of 20,698 items of medical supplies in use by 31 December 2019, items totalling 7,137 representing 34 per cent comprising 483 items of drugs, 4,611 items of surgical material and 2,043 items of laboratory material were being used without recommendation of the Formulatory Revision Committee.</p>	<p>In terms of Cabinet Decision No.CP/12/1602/509/005/- 11 of 13 December 2012, no medical supply whatsoever should be purchased without recommendation of the Formulatory Revision Committee.</p>	<p>That the audit observation is correct.</p>

A number of 190 items of medical supplies used without recommendation of the Medical Supplies Prescription Review Committee had been ordered for the year 2019 and a sum of Rs.1,711.21 million had been paid by 09 July 2020. Moreover, by 29 June 2020 orders for Rs.3,507.28 million and Rs.564.79 million had been placed for purchase of drugs for the years 2020 and 2021 used without recommendation of the Formulatory Revision Committee.

- (b) The National Drug Therapeutic Committee had approved using 103 items of medical supplies during the period from the year 2017 to the year 2019 without recommendation of the Formulatory Revision Committee.

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The Medical Supplies Division had placed orders with the State Pharmaceuticals Corporation for the items of medical supplies costing Rs.331.29 million, based on the said approval. The State Pharmaceuticals Corporation had purchased 12,000 units of Paracetamol 10mg/ml Solution for Infusion 100 ml on 11 April 2019 on this informal approval for the Medical Supplies Division by spending Rs.6.33 million from a supplier who has not been registered in the Medicines Regulatory Authority.

Without estimating the monthly or annual requirement of this drug, the General Hospital, Badulla too had purchased 1,085 units of this drug by spending Rs.933,015 in 23 instances within a period of nearly one year based on the approval granted to the hospital by the Medical Supplies Division for making urgent purchases for one month.

According to the data base of the Medical Supplies Division, the standard cost of a unit of this drug was Rs.180 and the Pharmaceuticals Corporation had purchased this drug at Rs.528 per unit while the General Hospital, Badulla had purchased it at different prices such as Rs.618, Rs.995 and Rs.1,013 per unit.

- (c) Even though the policy had been issuing orders by the Medical Supplies Division to the State Pharmaceuticals Corporation with a supply period of 11 months for purchase of estimated items, the State Pharmaceuticals Corporation had failed to supply medical items without delay. A number of 474 and 1,884 items of medical supplies costing Rs.4,059.06 million and Rs.13,620.14 million respectively ordered by the Medical Supplies Division from the State Pharmaceuticals Corporation for

Action should be taken for remedial measures to minimize delay by reviewing reasons for delay, to draw attention of the State Pharmaceuticals Corporation therefor and to identify and implement strategies as per the requirement.

-Do-

requirements of the years 2017 and 2018, had been supplied in the year 2019 with a delay between 01 and 02 years. Moreover, 2,377 and 4,158 items of medical supplies at a standard cost of Rs.7,075.48 million and Rs.11,978.19 million respectively ordered for the years 2017 and 2018 had not been supplied even by 31 December 2019 by the State Pharmaceuticals Corporation.

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| (d) | The State Pharmaceuticals Corporation had not supplied 6,203 orders representing 69 per cent out of 9,002 total orders in the year under review placed by the Medical Supplies Division for the requirement of the year under review. The said order included 8 urgent items of medical supplies and 4,075 essential items of medical supplies. This delay resulted in the purchase of medical supplies of high cost from the local market every year. The cost of medical supplies purchased from the local market through the State Pharmaceuticals Corporation due to the delay in supplying the main order, had totalled Rs.8,220.37 million in the year under review alone. | Action should be taken for remedial measures to minimize delay by reviewing reasons for delay, to draw attention of the State Pharmaceuticals Corporation therefor and to identify and implement strategies as per the requirement. Purchases from the local market should be minimized as much as possible. | -Do- |
| (e) | It was indicated according to the information made available by the Director (Medical Supplies) and the computer data base maintained by the Medical Supplies Division that 7 urgent items of medical supplies ordered for the years 2017 and 2018 by the Medical Supplies Division had not been received from the State Pharmaceuticals Corporation even by 22 September 2020, the date of audit. However, it was observed at the examination of files that the said orders had been cancelled.   | The data base should be maintained in an updated manner. Correct information should be made available to Audit.  | -Do- |
| (f) | The medical supplies had been sent to quality test laboratories only in instances in which problems have later arisen on the quality thereof, issued to hospitals without testing quality and it had been subsequently identified that a considerable quantity of medical supplies have failed the quality test. The cost of medical supplies withdrawn due  | A methodology should be introduced and implemented so as to enable testing the quality of a sample immediately after receipt of medical supplies and adequate facilities should be   | -Do- |

to failing the quality test in this manner, was Rs.1,209.7 million in the year under review. Out of this, use of medical supplies costing Rs.551.09 million had been withhold in the preceding years and withdrawn from use in the year under review and the remaining medical supplies costing Rs.658.6 million were medical supplies withdrawn from use in the year under review itself due to failing in quality. Moreover, the cost of medical supplies withhold from use on results of quality tests carried out in the year under review, was Rs.144.38 million.

provided therefor as well as recruiting adequate staff. Action should be taken to store all medical supplies in standard quality and also to purchase drugs of high quality and to issue them to hospital only after quality tests and to eliminate the risk of issuing sub-standard drugs to patients.

- (g) The PRONTO computer system is able to carry out filing of complaints on quality failed items of drugs up to the future process of suspension in issuing them. However, action had not been taken even in the year under review to obstruct the issuance of drugs through the system when drugs are quality failed and orders of suspension on using the said medical supplies had been sent to relevant hospitals and institutions after a delay period from 05 days to 30 days relating to 37 instances alone on quality failed medical supplies. The PRONTO computer system should be used for issuing orders relating to quality failed drugs. -Do-
- (h) The sum recoverable by the Medical Supplies Division for quality failed medical supplies as at 31 December 2019 from the State Pharmaceuticals Corporation, the State Pharmaceuticals Manufacturing Corporation and other suppliers totaled Rs.2,105.41 million. These monies should be recovered speedily. -Do-
- (i) Medical supplies withdrawn from use due to failing in quality in the year under review comprised antibiotics, pain killers and types of bandage and gauze. The said items had been issued to patients even by the time of receiving orders to withdraw medical supplies so failed only in quality. It had been decided that these medical supplies are quality failed after issuing a considerable percentage of the said medical supplies to patients. A methodology should be introduced and implemented to identify that medical supplies are quality failed before issuing those failed in quality, to patients. -Do-

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| (j) | Further inquiries on 10 items of medical supplies costing Rs.33.73 million suspended from use after failing in quality in the year under review, had been delayed. As such, the said 10 items had expired before being withdrawn from use.   | A methodology of speedily checking quality failed suspended drugs, should be implemented.   | -Do- |
| (k) | In terms of the Cabinet Decision relating to procurement of drugs in the year 2012, if the demand for a drug, surgical item or other medical supply changes or if it is non-moving/slow moving, details thereon should be submitted to the Formulary Revision Committee and decided whether that item should be withdrawn from use. Moreover, changing specifications timely for the changes in demand occurred due to modern technology, establishment of an independent specification control unit therefor, to call for Formulary Revision Committees duly, to avoid excess and expiry of stocks occurred on change in specifications and thereby instantly identifying increase and decrease in demand due to modern technology and the possibility of refraining from submitting relevant orders. Nevertheless, action had not been so taken and as such, it was revealed in audit test checks carried out that coronary stent bare metal surgery items costing Rs.44.83 million used in surgeries relating to heart diseases, had expired during the first quarter of the years 2019 and 2020. | Action should be taken to change specifications timely, to establish an independent specification control unit and to call Formulary Revision Committees duly.              |      |
| (l) | The Medical Supplies Division had issued a purchase requisition to the State Pharmaceuticals Corporation on 30 March 2011 for purchase of 1.2 million units of Depogestin I (Depot Medroxy Progesterone Acetate) administered for preventing conception. Despite having made the Technical Evaluation Committee aware on individual deaths and complications occurred by using this drug supplied by previous suppliers, the Ministry Procurement Committee which met on 21 November 2011 had granted approval for awarding the order with a total cost of Rs.87.03 million to the bidder who had submitted the lowest bid   | Disciplinary action should be taken by holding a full investigation and identifying responsible officers and action should be taken to recover the financial loss occurred. | -Do- |

without considering the conditions of order. The stock of first 600,000 units had been received on 13 March 2012 and it had been reported that severe anaphylactic reactions had occurred during the first week of using the drug. As such, Director of Maternal and Child Health of the Family Health Bureau had made recommendations to the Secretary to the Ministry of Health to withdraw the said class of product and to discontinue procurement for the remaining 600,000 units and to provide an internationally recognized product.

Despite having made recommendations to obtain the decision of the Technical Evaluation Committee based on the report on Good Manufacturing Product by the Technical Evaluation Committee held on 12 December 2012, without taking action accordingly, it had been decided to award the order for the 600,000 remaining units of the order to the same supplier by stating that all matters were considered by the Procurement B Committee held on 02 April 2013.

The Ministry Procurement Committee had decided on 02 April 2013 to issue this drug to hospitals with resuscitation facilities without considering the quality, safety and efficacy of the vaccine, posing a risk to lives of patients which was the main objective of the procurement of drugs and to maintain a strict follow up action.

The stock of 600,000 units ordered secondly had been received to the Family Health Bureau on 05 August 2013. However, it had been notified by the GMP Inspection Report relating to Good Manufacturing Product carried out on 18 and 19 September 2012 on the complexity of this drug and at the 16<sup>th</sup> meeting of the Family Health National Committee held on 09 September 2014, at the 3<sup>rd</sup> Safety and Risk Evaluation Sub Committee of the National Medicines Regulatory Authority held on 22 January 2016 and the 25<sup>th</sup> Drug Evaluation Committee meeting of the National Medicines Regulatory Authority held on 24

April 2018 to withdraw this drug from use. Issuing of the circular had been neglected by the relevant responsible officers indicating that this stock had been quality failed before expiry. The Director, Medical Supplies had withdrawn the total product, without distributing in the Family Health Bureau issuing the circular dated 17 June 2019 with a delay of 14 months after expiry of this stock. As such, the State Pharmaceuticals Corporation had lost the opportunity of recovering the relevant loss from the supplier. It was observed that the loss occurred to the Government through this purchase exceeds Rs.91 million.

The Medical Supplies Division had recovered the loss of Rs.96.4 million occurred from 1,131,800 units withdrawn from use due to failing in quality relating to this order and a previous order, from the State Pharmaceuticals Corporation. However, the State Pharmaceuticals Corporation could not recover a sum of Rs.60.4 million even up to 01 September 2020 from the supplier. As such, the Corporation had decided on 17 October 2016 to suspend transactions with the said supplier.

- (m) Even though a large quantity of stocks of drugs, surgical and chemical items remained in stores located in the premises of the Medical Supplies Division, the air conditioning system had been inoperative since many years. In terms of the agreement entered into for servicing of the air conditioning system, repairs should be completed by October 2016. However, servicing of air conditioners had not been completed even by 30 September 2020. Moreover, it was revealed in audit test checks that 9 items of drugs costing Rs.32.21 million, instructed in packing to be stored below a temperature of 25 Degrees Celsius, had been kept in stores with a temperature above 25 Degrees Celsius. The duration in failure to store these items at the prescribed temperature ranged between 12 and 190
- Storing of items of medical supplies should be complied with prescribed standards.
- Do-

days. It was observed that these drugs comprised antibiotics as well as drugs used for heart related diseases, the State Pharmaceuticals Corporation had transported these stocks of drugs under normal temperature and that the Medical Supplies Division had stored them in ordinary stores by making notes that there was no adequate space available in the No.06 cold store. Moreover, 87 items of drugs costing Rs.15.58 million which should be stored below a temperature of 25 degrees Celsius had been stored under a temperature above 25 Degrees Celsius in the Health Institutions of Anuradhapura Teaching Hospital, Regional Medical Supplies Division, Anuradhapura, Regional Hospital, Nochchiyagama and Regional Hospital, Rajanganaya Track 11. The possibility of drugs failing in quality and non-achievement of expected results by using them due to lack of prescribed temperature in the Medical Supplies Division which provides medical supplies to all Government hospitals as well as in regional medical supply centres and drug stores in hospitals, could not be ruled out in audit.

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| (n) | Printing the State Emblem on the medical supply containers procured by the State Pharmaceuticals Corporation was a condition of order as well as an internal control strategy introduced for preventing misuse. Nevertheless, 26 items of medical supplies costing Rs.8.59 million on which the State Emblem was not printed, had remained in the Regional Medical Supplies Division, Anuradhapura and in stores of the Anuradhapura Hospital. | Action should be taken according to conditions of order.     | -Do- |
| (o) | Instead of taking action to dispose of 42 items of expired drugs costing Rs.7.91 million, they had been stored in the Anuradhapura Teaching Hospital stores since the year 2012 and in the stores of the Nochchiyagama Regional Hospital and Regional Medical supplies Division,   | Expired and quality failed drugs should be duly disposed of. | -Do- |

Anuradhapura since the year 2018. Further, 16 types of quality failed drugs costing Rs.2.65 million as well had been kept in those stores.

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| (p) | It was observed that Lot Cards which should be maintained for each item in the main stores of the Medical Supplies Division are not duly completed and that Lot Cards are not used in certain stores. As Lot Cards are not maintained relating to every drug, it was observed that there is no possibility of separately identifying the physical balance of each stock and verifying the accuracy of stock control activities.   | Lot Cards should be properly maintained.   | -Do- |
| (q) | There had been a shortage of 26 types of essential drugs and injections issued for cancer patients of the Apeksha Hospital, Maharagama in the year 2019 during a period between 06 days and 316 days. Moreover, 07 types of drugs and injections brought down in favour of certain patients had been out of stock during the last 06 months of the year 2019 during a period between 02 days and 180 days. Further, action could not be taken according to Medical recommendation due to shortage in certain drugs which should be continuously administered for 06 months according to medical recommendation. | Action should be taken to maintain essential types of drugs administered to patients, without shortage.  | -Do- |
| (r) | The Anuradhapura Teaching Hospital had regionally purchased 20 types of drugs in 47 instances due to non-issuance of drugs as prescribed, by the Medical Supplies Division. A payment of Rs.13.17 million had been made for the said drugs exceeding the price paid by the Medical Supplies Division.   | The Medical Supplies Division should duly supply drugs so as to suit the requirement. A methodology should be established for recovery of monies incurred additionally, from suppliers in instances of having to purchase regionally in this manner due to the delay in receipt of drugs orders. | -Do- |

4. Achievement of Sustainable Development Goals

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Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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<p>In positioning the health system of Sri Lanka with sustainable development goals, 46 central health indicators had been selected by the Ministry for operation of activities related with sustainable development goals in achievement of specific goals by the year 2030. Even though 38 out of them are related to health, the remaining 8 were not indicators related to health. The Ministry had not identified and planned projects/programmes or functions necessary for achievement of sustainable development goals even by 30 June 2020 and the value of monies which should be utilized had not been identified as well. Moreover, the progress in reaching sustainable development indicators relating to the year 2019 had not been identified even by 30 June 2020, the date of audit. There were instances in which the progress in reaching sustainable development indicators was not in a satisfactory level and instances in which criteria for measuring sustainable development indicators were not identified.</p>	<p>Action should be taken to prepare and implement plans necessary for reaching sustainable development targets by the year 2030 and to maintain the expected progress.</p>	<p>That the audit observation is correct.</p>

5. Good Governance

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5.1 Rendering of Services to the Public

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Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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<p>Eighty officers had been appointed comprising 79 Information Officers representing each Division of the Ministry including hospitals and institutions under the purview of the Ministry of Health, to take action relating to information requested by citizens and one officer to carry out</p>	<p>Action should be taken in terms of provisions in the Act.</p>	<p>That the audit observation is correct.</p>

matters relating to appeals in hospitals and institutions in terms of Right to Information Act, No.12 of 2016. Only 52 officers had submitted information to Audit relating to requests made to these 80 officers in the year 2019. According to the said information, the total number of information applications submitted by the public in the year under review stood at 310 and 29 out of those requests had been rejected. Replies had not been submitted for 29 applications and the number of applications for which replies had been submitted, stood at 252. Fifty five applications had been received in the year 2019 to the officer who was assigned with matters on appeals and decisions had not been made for 09 applications out of those. Moreover, decisions had not been made even by 15 September 2020, the date of audit for 16 applications of appeal submitted in the year 2018.

## 5.2 Audit and Management Committee

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Audit Observation -----	Recommendation -----	Comments of the Chief Accounting Officer -----
<p>In terms of Management Audit Circular Nos.DMA/2009(1), DMA/2009 (1)(i) and DMA/1-2019 dated 09 June 2009, 28 January 2016 and 12 January 2019 respectively, four Audit and Management Committee meetings at the rate of 01 per each quarter should be held for a year. However, only 03 Committee meetings had been held in the year under review.</p>	<p>Action should be taken in terms of circular provisions.</p>	<p>That the audit observation is correct.</p>

6. Human Resource Management

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The following observations are made.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) In the deployment of the total approved cadre in the Ministry, the staff had been attached as 2,788 vacancies relating to 36 posts of Senior Executive Level and 328 excess relating to 12 posts, 469 vacancies relating to 64 posts of Tertiary Level and 8 excess relating to 4 posts, 6,622 vacancies relating to 83 posts of Secondary Level and 340 excess relating to 36 posts, 9,897 vacancies relating to 49 posts of Primary Level and 3,058 excess relating to 22 posts.	Officers and employees should be attached without exceeding the approved cadre of each hospital and institution.	That the audit observation is correct.
(b) In the deployment of staff, despite the unavailability of an approved post in places of work, the excess cadre deployed relating to 62 posts stood at 2,656 and 1,946 employees recruited on contract/temporary/casual basis to the post of Saukya Karya Sahayaka contrary to the Scheme of Recruitment, were included in this number.	Employees should not be recruited on casual/temporary/contract basis without an approved cadre.	-Do-
(c) As recruitments had not been made in a manner to balance the staff among hospitals and institutions, excesses and vacancies in several institutions relating to the same post had arisen. The staff had not been reviewed by the Ministry after the year 2013 and as such, a report on the total staff had not been provided by the Department of Management Services after the year 2013.	Staff should be recruited in a manner of balancing the staff.	-Do-

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| (d) | <p>The management of the staff of Specialist Medical Officers had not been properly carried out due to being inconsiderate of the number of specialist Medical Officers that should be available for each branch of medicine to adapt to the national requirement of the country and the number of Specialist Medical officers required for each hospital according to each branch of medicine and directing Medical Officers for Postgraduate training in Medicine, neglecting the requirement of posts in each specialized medical area.</p>  | <p>Action should be taken to identify the number of Specialist Medical Officers according to each specialization and to revise the approved cadre as per the requirement.</p> | -Do- |
| (e) | <p>In terms of paragraph 12.3 of the Medical Service Minute, follow up action had not been taken by responsible parties that the transfer procedure relating to annual transfer orders of Medical Officers in Grades, published according to approval of the Public Service Commission, is properly implemented. As such, the total number of Medical Officers who failed to act in accordance with transfer orders given to them from the year 2011 to the year 2019 stood at 3,982. The transfer order had not been implemented relating to 882 Medical Officers out of them due to unavailability of a successor. Action had not been taken in terms of the Establishments Code and Procedural Rules 214, 215, 216 and 217 and Letter No.PSC/EST/05/03/01/2017 dated 29 September 2017 of the Secretary to the Public Service Commission relating to the said officers. Moreover, information relating to implementation of transfer orders of Specialist Medical Officers in the year under review, had not been made available to Audit.</p> | <p>Action should be taken to implement annual transfers properly.</p>   | -Do- |
| (f) | <p>The number of approved posts of Medical Officer in Senior Level stood at 13,768 while the actual number stood at 11,519 as at 31 December 2019, thus resulting in 2,249 vacancies. In attachment of these Medical Officers, they had been attached in a manner so as to create 2,410 vacancies</p>   | <p>Action should be taken to fill vacancies in essential posts so as to carry out activities efficiently.</p>   | -Do- |

and an excess of 161. Further, as attachments had been made in excess, neglecting the approved number, 101 Medical Officers had been attached to other departments and ministries of the Western Province on secondary basis while 30 have been attached as Coordinating Medical Officers to the Head Office of the Ministry of Health.

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| (g) | Action had not been taken in the year under review and 02 preceding years to fill 50 vacancies of 11 posts among posts in various fields of Senior Executive Level as at 31 December 2019 due to failure in revision of Schemes of Recruitment and prompt placement despite having established new divisions and post. Further, 50 per cent of the number of approved posts of Nursing Sister/Master of Secondary Level as at 31 December 2019, was vacant and the said percentage had exceeded 40 per cent during the two preceding years. | Action should be taken to fill vacancies in essential posts so as to carry out activities efficiently. | -Do- |
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