

Head 111– Ministry of Health

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ministry of Health for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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. The summary report including my comments and observations on the financial statements of the Ministry of Health was issued to the Chief Accounting Officer on 23 June 2022 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the Ministry was issued to the Chief Accounting Officer on 16 September 2022 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. This report will be tabled in Parliament in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be 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 give a true and fair view of the financial position of the Ministry of Health as at 31 December 2021, 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

My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility for the financial statements is further described in the Auditor’s Responsibility section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of the Chief Accounting Officer for the Financial Statements

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 provisions in Section 38 of the National Audit Act, No.19 of 2018 and for the determination of the internal control that 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 the preparation of annual and periodic financial statements.

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 systems and accordingly make any alterations as required for such systems to be effectively carried out.

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

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's 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 and its materiality depends on the influence on economic decisions taken by users on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- An understanding of internal control relevant to the audit was obtained in order to design 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 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.
- Evaluate the overall presentation, structure and content of the financial statements including 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

I express the following matters in terms of Section 6 (1) (d) of the National Audit Act, No. 19 of 2018.

- (a) The financial statements are in consistent with the preceding year,
- (b) The recommendations regarding the observations mentioned in paragraphs 1.6.1 (a), (b) and (c) of this report made by me on the financial statements of the preceding year had not been implemented.

1.6 Comments on Financial Statements

1.6.1 Non-financial Assets

The following observations are made regarding the non-financial assets indicated in the financial statements.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>(a) According to the cumulative non-financial assets account report maintained by the treasury in last year, the cost of non-financial assets as at 31 December 2020 was Rs.172,439.71 million, but according to the cumulative non-financial assets account report maintained by the treasury in the year under review, the cost of non-financial assets as at 01 January 2021 was Rs.184,327.77 million. Reasons for the difference amounting to Rs.11,888.06 million were not disclosed for audit.</p>	<p>Agree with the observation and after getting information from the Public Accounts Department, relevant information will be submitted in future.</p>	<p>Reasons for such differences should be investigated and necessary adjustments should be made and correct financial statements should be prepared and submitted for the year 2022.</p>
<p>(b) Although the cost of property, plant and equipment as at 01 January 2021 was Rs.192,229.15 million as per the statement of financial position as at 31 December 2021, the cost of property, plant and equipment as at 01 January 2021 was Rs.172,439.71 million and Rs.184,327.77 million respectively according to the non-financial assets account report and cumulative non-financial assets account report maintained by the treasury. The reasons for the differences of Rs.19,789.44 million and Rs.7,901.38 million respectively were not revealed.</p>	<p>-Do-</p>	<p>-Do-</p>
<p>(c) According to the statement of expenditure programmes of 2021 and the summary of monthly expenditure maintained by the treasury, the cost of acquisition of capital assets in the year under review was Rs.18,379.96 million, but the expenditure was Rs.1,502.07 million according to the cumulative non-financial assets account report maintained by the treasury. The reasons for the difference of Rs.16,877.88 million were not disclosed.</p>	<p>-Do-</p>	<p>-Do-</p>

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| (d) | According to the Statement of financial position as at 31 December 2021, the cost of non-financial assets as on that date was Rs.190,551.71 million, but according to the computerized soft copies indicating the information about the non-financial assets of the ministry and 55 institutions that were submitted for the audit, the cost of non-financial assets on that date was Rs.196,854.76 million. The reasons for the difference of Rs.6,303.05 million were not disclosed. | The reasons for the existing differences will be identified and submitted in future. | -Do- |
| (e) | Out of the Rs.10,630.37 million allocated for 54 foreign funded projects implemented by the ministry during the period from 2010 to 2020, Rs.7,603.09 million had been spent during the relevant period, but expenditure incurred for the acquisition and development of non-financial assets included in that expenditure was not accounted under non-financial assets. | Confirmation on this will be submitted later. | Written evidence confirming that all assets acquired under the projects have been accounted should be promptly submitted for audit. |

1.6.2 Non-accounting of Donations and Medical Supplies

The following observation is made.

Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
According to information submitted for audit by 15 October 2021 about various foreign states, local and foreign institutions, organizations and individuals and local and foreign non-governmental organizations have submitted non-financial assistance or donations to the ministry and the hospitals and institutions under it in the year 2020, various goods, medical equipment and supplies which cost Rs. 1,339.28 million and 2,444 units of unknown value were not included in the financial statements.	Information on financial and non-financial assistance or donations received by hospitals and institutions under covid-19 will be obtained and promptly reported on the inclusions and non-inclusions in the financial statements.	Financial statements for the year 2022 should be prepared and submitted with identifying and accounting for all unaccounted assets.

1.6.3 Lack of Audit Evidences

 The following observation is made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<p>As detailed schedules and various information and related written evidence were not submitted for audit regarding the various assets with a total amounting to Rs.190,551.72 million and various expenses of Rs.119.75 million respectively, the values could not be satisfactorily verified and monitored. Also, due to non-submission or non-submission of complete information about information required to evaluate the performance of the ministry’s vehicle utilization, information on the appointment of board of surveys for the year 2021 and carrying out board of surveys, information on medical officers who have completed post-graduate courses in the years 2020 and 2021, and information about the incentives paid to Sri Lanka Nursing Service officers, who has proficiency in more than one language, information about the progress of recovering Rs.81.91 million to be charged from 95 Doctors who had been ordered to leave the service, information about the money to be collected from 257 Doctors to the government and information related to recovery of Rs.2.47 million to be charged from 13 officers belonging to the Auxiliary and Interim Medical Service who had been issued orders to leave the service, information about the amount to be charged from 10 other officers, information about the payment of Value Added Tax on purchases made to control the Covid-19 epidemic, information about the monthly allowances paid from 01 January 2016 to 31 March 2022 to the intern and post-intern doctors who were assigned for training to all hospitals and institutions under the Ministry of Health, the Personal Income Advance Tax effective from 01 January 2020 has been collected from the relevant officials working in the ministry and the hospitals and institutions under the ministry and remitted to the Commissioner of Inland Revenue and has and whether the information to be submitted to the Commissioner General of Inland Revenue had been submitted, the information required to confirm that the</p>	<p>Agree with the audit observation.</p>	<p>This information should be submitted for the audit and in accordance with section 42 (a) of the National Audit Act No. 19 of 2018, every person who does not provide the information and other evidence requested by the Auditor General should be considered as committing an offence.</p>

information required for the audit which were called by 32 letters calling for information on various matters and evidence that non-financial assets amounting to Rs.580.59 million given to 10 hospitals and institutions belonging to the ministry by the Health Development Fund were included in the financial statements of the ministry even by 15 June 2022, those areas could not be properly audited.

1.6.4 Certification to be done by the Chief Accounting Officer

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>The Chief Accounting Officer shall ensure that an effective internal control system is developed and maintained for the financial control of the ministry in terms of the provisions of section 38 of the National Audit Act No. 19 of 2018 and although the effectiveness of the system should be reviewed from time to time and necessary changes should be made according to make the system effective, those reviews should be done in writing and a copy of the same should be submitted to the Auditor General, but this was not done. Further, although the Chief Accounting Officer shall ensure that all audit queries are answered within the specified time limits as required by the Auditor General, the total number of un answered audit queries was 65 as on 09 June 2022 and the number of queries that had not been answered after more than a year was 24.</p>	<p>Agree with the observation, Instructions are given to the Chief Internal Auditor, Chief Financial Officer I/II/III to find out the necessary changes to effectively carry out the current financial control systems in order to prepare and maintain an effective internal control system for the financial control of the ministry and carry out the necessary reviews and provide the relevant reviews in writing, the number of unanswered audit queries was over 120 at the time of the meeting of the Committee on Public Accounts held on 09 April 2021, but it has been possible to reduce the number to 06 by now and the remaining queries will be answered promptly.</p>	<p>The provisions of section 38 of the National Audit Act No. 19 of 2018 should be followed.</p>

2. Financial Review

2.1 Management of Imprest

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
The outstanding balance of Rs.362,702 belonging to the Batticaloa Teaching Hospital since the year 1997 has not been settled as until 15 June 2022.	Agree with the observation and requested approval from the Treasury Operations Department to settle the 2021 imprest account.	This outstanding balance should be settled promptly.

2.2 Expenditure Management

In was confirmed that accurate and realistic estimates were not prepared as per the provisions of Financial Regulations 50 as per the following observations.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) According to the 2021 annual budget estimate, the total allocation of Rs.761.7 million, which was made for 03 recurrent expenditure subjects and 03 capital expenditure subjects, was transferred to other expenditure subjects by Financial Regulations 66 and 69.	Disagree with the observation, The expenditure pattern changed due to the Covid- 19 epidemic situation throughout the year, The budget circular No. 7/2020 dated 23 December 2020 has instructed that expenditure shall be incurred only for essential expenses and no additional provision shall be made, the provisions of the expenditure subjects expected to be saved accordingly to be managed from the provision given to the ministry in essential expenses were transferred by Financial Regulations 66.	Accurate and realistic estimates should be prepared in accordance with the provisions of Financial Regulations 50.

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| (b) | According to the 2021 annual budget estimate, total allocations of Rs.4,246.90 million with Rs.25.9 million and 4,221.00 million for 06 recurrent expenditure subjects and 19 capital expenditure subjects respectively was increased from 100 percent to 1000 percent by supplementary estimates and Financial Regulations 66 transfers by Rs.163.42 million and Rs.6,955.24 million respectively. | Agree with the observation, The draft estimate for the year 2021 was not provided by the treasury and the allocations allocated to these essential expenditure subjects were not sufficient, The Financial Regulations 66 transfers increased the provision as no additional provision was made by the general treasury. | -Do- |
| (c) | The total net provision balance amount of Rs.13,448.98 million was saved after transferring Rs.207.92 million to other expenditure subjects from the amount provided for 32 expenditure subjects, including 11 recurrent expenditure subjects and 21 capital expenditure items, from the initial allocation of Rs.12,299.90 million and after transferring Rs.1,357.00 million form other expenditure subjects Objects. | Agree with the observation, It has been proposed to remove this expenditure subject and that the provisions of other expenditure subjects will not be saved in future. | -Do- |
| (d) | The additional provision of Rs.2,927.00 million which was made by the supplementary estimates for 12 capital expenditure subjects was completely and part of the basic estimate was saved. | Agree with the observation. | -Do- |
| (e) | After transferring Rs.1,076.25 million or 40 percent of the allocations made for the Thriposha programme to other expenditure subject, Rs.392.81 million or 15 percent was saved. | Disagree with the observation, The quality of maize required for the production of Thriposha production due to the inability to get the raw material and the unexpected situation around the world caused a disruption in the nutrition programme. | -Do- |

2.3 Incurring of Liabilities and Obligations

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(a) In contravention of the provisions of Financial Regulations 94 (i), liabilities of Rs.2,242.60 million had been incurred in excess of the provisions.	Disagree with the observation, Estimates were prepared with considering the liabilities of all institutions, but the general treasury will provide the allocations with considering the existing expenditure as at 30 June of the relevant year, If the draft estimate for the relevant year is approved and imprest is given, there will not be so many liabilities in the hospital system due to factors such as the increase in the overtime allowances of the officers by the circular, The liabilities have arisen in future due to insufficient provisions and the shortage of imprest that occurred in the months of November and December and however, instructions have been given to approach the liabilities as not to exceed the provisions given for the capital expenditure subjects.	Should be act as per the Financial Regulations.
(b) Liabilities amounting to Rs.54.94 million were reached for 20 expenditure subjects who were not included in the annual budget estimate or were not newly created expenditure subjects.	Agree with the observation, Wrong expenditure subjects have been recorded in the reporting of a large number of liabilities due to an omission and that this error will be completely corrected in next years.	Obligations and liabilities should be properly identified.
(c) The liabilities balance approved by the treasury for the year under review exceeded Rs.3,865.96 million and the liabilities of Rs.2,652.43 million was reached without the approval of the treasury.	Agree with the observation and the deficiency caused by acting for the safety of life, which is the basic objective of the health service, and that not reporting the total liabilities within the prescribed period will be corrected in future.	Should not be entered to the liabilities without treasury approval.

2.4 Issuance and Settlement of imprests

2.4.1 Ad-hoc sub imprests

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) The ad-hoc sub imprests should be settled within 10 days of the completion of the work as per Financial Regulations 371 (5) as amended by Public Finance Circular No. 03/2015 dated 14 July 2015, but the amount given 663 cases was settled with a delay of the period of 01 to 13 months after the completion of the relevant work of the ad-hoc sub imprest.	Agree with the observation and the relevant divisions have been informed in writing that the advance should be settled within 10 days after the completion of the work.	Sub imprests should be settled on the due date. The ad-hoc sub imprests should be settled immediately after the completion of the work. A system of changing a penalty for delays should be introduced.
(b) In 16 cases, the ad-hoc sub imprests of Rs.343,870 was not used for the relevant work and kept in hand for a period of 05 to 206 days and settled back.	Agree with the observation, Due to prevailing corona situation, it was not possible to carry out the related tasks and programmes as planned up to date, although the advances were obtained and kept for a long time from the respective divisions, the related reasons were obtained in writing at the time of settlement of the advances and however, every division has been informed in writing about the observation.	The ad-hoc sub imprests should be settled immediately after the completion of the basic work. A system of charging a penalty for delays should be introduced.
(c) The ad-hoc sub imprests of Rs.5.806 million obtained in 142 cases was delayed from 10 days to 332 days for settle the remaining Rs.1.135 million after the work was completed.	-Do-	-Do-

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| (d) | Rs.663,400 which had been issued to the Provincial Health Directors for conducting various programmes on 02 occasions during the year under review was settled back in full amount with a delay of 07 months without conducting that programmes. | These advances were issued in connection with the control of the prevailing corona epidemic situation. | The money should be released after the programme is organized and completed. |
| (e) | Rs.222,222 from the capital advance of Rs.3 million was given for the improvement of the quarantine center of the Leprosy Hospital on 12 March 2020 and the capital advance of Rs.30,000 given to the Galle Regional Health Services Director on 10 November 2021 had not been settled by 23 March 2022. | Agree with the observation, This balance remained due to an advance given for the renovation of a hospital ward where corona patients were treated in-patiently as it was not possible to carry out an on-site inspection and as the situation of corona epidemic has been controlled yet, the relevant divisions have been informed in writing to settle the advance. | These advances should be settled promptly. |

2.4.2 Issuance and Settlement of Advances to Government Officers

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Although the special advances paid to government officers should be recovered within the year 2021 according to paragraph 03 of Public Administration Circular No. 03/2020 dated 30 December 2020, that was not done accordingly and the balance of special advance to be collected from 157 officers by 31 December 2021 was Rs.167,850.	Agree with the observation, necessary instructions have been given to recover outstanding loan balances due to reasons such as officers leaving from the service, suspension, transfers to other institutions etc. and arrangements will be made to clear the outstanding loan balance by the year 2022.	Should be act as per the circular provisions.

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| <p>(b) The total defaulted loan balance was Rs.77.07 million from the officers who were transferred from the ministry and its 54 institutions by 31 December 2021 due to the non-compliance with the provisions of the Budget Circular No. 118 dated 11 October 2004v and sections 1.6 and 1.7 of chapter xxiv of the Establishment Code. Out of those loan balances, 788 loan balances amounting to Rs.45.80 million equal to 59 percent were older than 05 years.</p> | <p>Agree with the observation, Necessary instructions have been given to the hospitals and institutions belonging to the ministry for recovery of outstanding loan balances and arrangements will be made to clear the outstanding loan balance by the year 2022.</p> | <p>According to circular provisions, the officer should settle the loan balance within 03 months after transfer. Formal action should be taken against the officers who neglect the responsibility of dealing with it.</p> |
| <p>(c) Although debtor and creditor balances cannot exist between institutions within the same expenditure head, loan balance of Rs.15.48 million equal to 20 percent of the outstanding loan balance of Rs.77.07 million as at 31 December 2021 were loan balances to be collected from officers who were transferred to hospitals and other health institutions belonging to the ministry. Furthermore, the audit could not rule out the suspicion that the loan balance of Rs.22.01 million with including the loan balance of Rs.6.53 million, where the place of the transferred officer could not be ascertained, was wrongly entered in the reconciliation statements.</p> | <p>That the debtor and creditor balance between the hospitals and institutions belonging to the ministry for a long period of time will be settled by checking the documents available in all the institutions.</p> | <p>The factors that caused this situation should be identified and the relevant adjustments should be made promptly.</p> |
| <p>(d) The loan balance to be charged on 31 December 2021 from 208 suspended officers was Rs.9.59 million and out of that, 72 percent equal to Rs.6.92 million was more than 5 years old. Out of the outstanding balances of Rs.19.56 million to be charged from 735 officers who left the service, Rs.9.86 million or 50 percent of the outstanding balance to be charged from 380 officers was more than 5 years old. This balance has been continuously increasing year after year but not enough action has been taken to recover the loan.</p> | <p>Agree with the observation That instructions have been given to settle the long-term loan balances by obtaining information from the legal provisions and from the relevant divisions and institution.</p> | <p>The institutions should proceed to recover the loan balances in accordance with the provisions of the Establishment Code.</p> |
| <p>(e) The loan balance to be charged from 283 retired officers was Rs.16.44 million and out of that, Rs.11.47 million or 70 percent were loan balances that were more than a year old. The amount of loan to be collected on 31</p> | <p>Agree with the observation, The Pension Department has been informed and the loan balances have been recovered in order to reduce the loan balances of the</p> | <p>-Do-</p> |

December 2021 was Rs.6.57 million due to non-compliance with the provisions mentioned in sections 4.4 to 4.6 of chapter xxiv of the Establishment Code regarding the loan balance to be collected from the deceased officers. The total to be charged from 19 officers was Rs.990,573 or 15 percent of the loan balance which was more than 05 years old.

long-term retired officers and that the necessary activities will be carried out to settle the loan balances in direct contact with the said department in further, The death gratuity of a significant amount of the deceased officers has not been settled till now and that necessary steps will be taken to settle the long-term loan balances in future.

2.5 Deposit Balances

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(a) The total balance of 08 general deposit accounts as at 31 December 2021 was Rs.1,610 million and out of 05 general deposit accounts that, there was a difference of Rs.631,001 between the monthly summary of the treasury deposit accounts and the records of the ministry book keeping division, but the reasons for the difference were not disclosed.	Agree with the observation and take corrective action.	The reasons for the difference should be identified and necessary adjustments should be made.
(b) Rs.6.50 million given by a World Bank project of Primary health care system enhancement project to the Biomedical engineering services division in December 2020 for the purchase of medical equipment in 31 December 2020 was retained in the general deposit account without spending and without treasury approval.	Agree with the observation and take necessary action in future.	Cheques should not be prepared for goods before delivery. No money should be retained in the general deposit account without approval of the treasury.
(c) Due to non-payment of Employees' Provident and Employees' Trust Funds by an institution that holding cleaning services at the Kalmune (North) base hospital, Rs.6.32 million collected form the contractor was retained in the general deposit account from the year 2020 to 31 December 2021 without being remitted to the Employees' Provident Fund and the Employees' Trust Fund.	Agree with the observation, If the applicants do not come forward to get the money charged from the contractor, the settlement will be made by crediting to the government revenue in May 2022.	A formal investigation should be conducted in this regard further action should be taken against the defaulting contractor and the amount should be remitted to the Employees' Provident Fund and the Employees' Trust Fund.

2.6 Non-compliance with Laws, Rules and Regulations

Non-compliance with laws, rules and regulations are analyzed below.

Reference to the Laws, Rules and Regulations	Non-compliance	Comments of the Chief Accounting Officer	Recommendation
(Establishment Code of the a Democratic Socialist) Republic of Sri Lanka			
(i) Section 7.1 of chapter V and rule 172 of first installment of the rules of procedure of the Public Service Commission.	Although it is the responsibility of the head of the institution to notify the officer who is deemed to have left the post immediately by registered post, delays in issuing the leaving notice to medical officers who did not report for duty after expiry of leave approved by the ministry were up to 17 years. Also, a nurse who was employed at the Kaluthara teaching hospital had issued a leaving notice after 173 days from 04 September 2020.	Agree with the observation, That medical officers who do not report for duty after over of the approved leave are considered to have left from the service and the orders to leave the service are now being issued promptly and such omissions will not happen in future.	Should be act as per the provisions of the Establishment Code. Formal action should be taken to officials who do not fulfill their responsibilities.
(ii) Sections 5.8,6.1,6:15,7:1 and 7.2 of the chapter XIX	<ul style="list-style-type: none"> ❖ Under the government housing (Repossession) Act No. 07 of 1971, 46 officials who did not vacate at the end of the lease term or when the housing allotment authority specified or did not vacate the houses and collect a penalty rent. ❖ It was also observed that 143 officers stayed in government houses for a period of 5 years to 27 years beyond the tax period of 05 years. 	Agree with the observation, That the necessary instructions have been given to take care to act in accordance with the provisions of the Establishment Code regarding the control of government houses belonging to the ministry and the hospitals and institutions under it, Necessary arrangements will be made to collect the relevant bills from the officials who come to reside thereafter, In cases where the fees have been	Should be act as per the Establishment Code and the amount paid by the government should be recovered from the responsible officers. Penalties should be charged for overstaying the prescribed time period.

- paid from institutions, they will be recovered from the officials of those institutions, Some quarters have been assessed and rent charged under the new assessment, Measures are being taken to get the quarters that have not been assessed, The house rent is being collected, Legal proceedings are currently being carried out to repossess the quarter.
- ❖ There were 13 cases where water charges for quarters were spent by the relevant institution without charging from the officials.
 - ❖ Even though the assessment rent given by the government technical assessor should be reassessed after 05 years, there were 15 institutions that did not do accordingly.
 - ❖ Quarters had been given to two officers working under the national programme on anti-tuberculosis and chest diseases, but rent had not been collected for more than 04 years.
 - ❖ The sub scheduled quarters owned by Angoda National Institute of Infectious Diseases were given to one medical officer for over 26 years from 12 May 1995, but it was not taken back.
 - ❖ The sub schedules administrative officer quarters of Lady Ridgeway Children's Hospital was given to a Senior Assistant Secretary of the ministry on a temporary basis from 01 May 2008 and more than 13 years have passed as at 31 December 2021, but not returned back.

❖ Trincomalee district hospital did not collect house rent from 19 resident officers.

<p>(Financial Regulations b 170(2) of the Code of) Financial Regulations of the Democratic Socialist Republic of Sri Lanka</p>	<p>Donations amounting to Rs. 18.72 million received by 05 institutions under the ministry in the year 2020 were not acted in accordance with the Financial Regulations.</p>	<p>Agree with the observation, The information about that the relevant goods are formally documented by the hospitals and institutions will be submitted in future.</p>	<p>Should be act as per the Financial Regulations.</p>
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<p>(i) Public Administration Circular No. 29/98 dated 30 December 1998 dated and No. 03/2007 dated 09 February 2007 and Public Administration circular letter No. 02/2009 dated 07 April 2009.</p>	<p>❖ Although the language allowance is to be payable as per the circular No. 29/98 whenever there is a change in the qualifications of recruitment related to the any service as per circular letter No. 02/2009, language allowances were paid to 32 officers of the Sri Lanka Nursing Service in 14 hospitals as contrary to that.</p> <p>❖ According to paragraph 04:03 of circular No. 03/2007, language allowances may be paid on the recommendation of a language proficiency test conducted by the Department of</p>	<p>Agree with the observation, That the necessary arrangements have been made for approving allowances and paying according to the provisions of the public Administration Circulars No. 03/2007 and 02/2009.</p>	<p>Should be followed the circular instructions and wrongly paid amount should be recovered from the responsible parties.</p>
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Government Languages once in 05 years while paying language allowances, but language allowances were paid to 57 officers of the Sri Lanka nursing Service in 08 institutions and hospitals with non-compliance to that.

- ❖ Although the payment of language proficiency allowances for languages other than English should be discontinued with effect from 02 February 2007 of the effective date of the circular as per paragraph 04:07 of circular No. 03/2007, language allowances were paid to 05 officers of the Sri Lanka Nursing Service in 03 hospitals with non-compliance to that.

(ii) Public Administration Circular No. 09/2009 dated 16 April 2009 and No. 03/2017 dated 19 April 2017.

- ❖ Although records should be maintained to prove arrival and departure of public officers by using fingerprint recording machines in all government institutions, instead of fingerprint recording machines, arrival and departure register or diaries were maintained without direct supervision in 85 hospitals and institutions under the ministry including the ministry. An internal circular and a common letter have been issued advising that fingerprint machines should be used in accordance with the Public Administration Circulars, but it has not been able to be implemented yet due to trade union protests and that all Heads of institutions and Heads of departments have been informed to take steps for proper maintenance of daily arrival and departure records as per circular instructions. Should be followed the circular instructions and wrongly paid amount should be recovered from responsible parties.

- ❖ It was also observed that 103 arrival and departure records were maintained for 1,783 officers in 91 different units in the ministry, there was no proper internal control, there are opportunities for various irregularities, payment of salary, allowances, holiday pay and overtime allowances are based on false information.

- ❖ In relation to the 30 officials vehicles reserved for executive 30 officers including medical officers employed in the ministry only during the month of July 2021, there were contradictions in the officer's favor between the times that they arrived and departure in the ministry premises and the times according to the arrival and departure documents or diary and overtime allowances were got by using hours favorable to the officer.

- ❖ Also according to the time of arrival and departure of the official vehicle from the premises, holiday payments or overtime allowances were obtained without completing 08 hours or 06 hours per day as

applicable in weekends or public holidays.

- ❖ Holiday payment was paid for 09 days in July 2021 to one of the executive officer when the arrival and departure was not recorded and the external duty was not confirmed as per the movement register.

2.7 Non – compliance with Tax Requirements

----- Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
<p>Medical , surgical and dental equipment and machinery and tools including technical equipment, accessories and parts of that, hospital or medical furniture and drugs, chemicals and such items were exempted from value added tax required for the provision of health services in the situation of covid-19 pandemic with effect from 20 May 2020 in response to a request by the Secretary to the ministry in terms of section 8(1) of the Value Added (amendment) Act No. 09 of 2021, but institutions, hospitals and projects under the ministry were not informed about that and no follow-up was done. As a result, Rs. 130.57 million of value added tax was paid to 74 suppliers by the 04 projects implemented under the assistance of the World Bank and Asian Development Bank in the years 2020 and 2021 for the medical supplies purchased to covid-19 epidemic.</p>	<p>Agree with the observation, Necessary action will be taken in this regard with confirming whether the relevant taxes have been paid back to the government by the suppliers and payments will be made according to the relevant laws and amendments regarding taxes in future payments.</p>	<p>The value added tax paid should be collected from the relevant suppliers or responsible officers.</p>

2.8 Informal Transactions

 The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<p>(a) On 12 July 2016, the cabinet approved the payment of a special allowance to 78 executive grade officers who were assigned to the ministry and employed as at that date. Based on that approval, this allowance cannot be paid to executive officers working in hospitals and other health institutions outside the ministry, but contrary to that, Rs. 20.41 million were paid as special allowances in 04 years from 2016 to 2020 to executive officers of 40 institutions and hospitals who had submitted information for audit by 18 February 2022. It was emphasized by the National Salary and Cadre Commission by its letter dated 04 June 2016, as due to that the ministry has decide to consider various service categories separately and pay allowances, allowances are paid without identifying the categories that should receive allowances and a strict review of all the allowances currently paid to the officers of the ministry should be carried out and a new method of payment of allowances should be implemented from 01 January 2017, but it had not been done until 15 April 2022. Instead, the cabinet approved to revise this hourly special allowance in relation to the new salary scale, to remove the maximum allowance limit of Rs. 10,000 per month and to increase the period of overtime work up to 80 hours per month. Based on that approval, a higher allowance had to be paid compared to the previous allowance and if an officer was employed to the maximum in addition to normal duties, that officer got the ability</p>	<p>Agree with the observation, That the executive officers working in the ministry and other institutions and hospitals under it, which are not covered by the approved cabinet memorandum, can also proceed to get the approval of the cabinet regarding the payment of related allowances, it is not possible to submit a cabinet memorandum at this time in view of the current economy crisis in the country as it has been instructed not to submit the requests related to payment of allowances to the Ministry of Finance or the cabinet and according to the cabinet decision on 21 July 2016, the rates approved to be paid based on the salary have only been revised in relation to the new salary in the salary circular 03/2016.</p>	<p>Payments made without formal approval should be approved or recovered from the responsible parties. The recommendations of the National Salary and Cadre Commission should be implemented.</p>

to get a higher value allowance ranging from 456 percent to 942 percent compared to the previous received allowance. Also, the increase in allowances was also paid to the executive officers working in hospitals and other health institutions outside the ministry and the total amount of special allowances paid to the executive officers of 15 hospitals and institutions in the year 2021 who had submitted information for audit as at 18 February 2022 was Rs.6.27 million.

- (b) The inspection conducted on the vehicle fleet owned by the ministry was limited to the month of July 2021 only and as some of the information requested for the inspection related to that month was not submitted for the audit and the information submitted was incomplete, the scope of the audit had to be limited. According to the sample test carried out, the internal control system of the vehicle fleet was in poor condition and due to this, various types of incorrect payments had been allowed. The officer who assigned the vehicle had certified that the drivers assigned to the 16 vehicles were on duty for 24 hours from 6 a.m. to 6 a.m. in next day and it was observed that the relevant drivers had received overtime allowances in abnormally.
- Those security divisions have been informed to correct the relevant deficiencies, That the travel expenses and overtime allowances of the drivers of the vehicle reserved for officials with official vehicle entitlements are made according to the duty trips of the officials and that the overtime allowances shall not exceed the maximum approved limit for the respective month.
- The internal control system on the fleet should be strengthened. Overtime payments should be approved in such a way that the government has to bear the least cost after checking all the facts including the correct need.
- (c) Action should be taken to ensure that the prescribed amount of work is performed for receiving overtime allowances and that overtime allowances are not paid for a period of inactivity in accordance with chapter VIII of section 02 of the Establishment Code of the Democratic Socialist Republic of Sri Lanka. However, additional service allowances of Rs.15.09 million were paid for approximately 46,612 inactive hours of 02 hours for a holiday in the calculation of additional service allowances added
- As per the circular, 08 hours can be added instead of 10 hours and instructions have been given to find out about the 02 hours given in excess and calculate the total number of hours and charge the excess amount.
- A formal investigation should be conducted in this regard and further action should be taken.

to the hours worked for 08 hours per day for the holidays taken during the period from 27 December 2020 to 25 September 2021 to 225 nursing officers, 48 nurses and 11 special grade nurses whose shift exceeds 06 hours in Kandy National Hospital on 27 December 2020 using ministry circular No. 02/19/2009 dated 27 March 2009 and approximately the total of Rs. 1.95 million additional service allowances were paid as 10 hours and 08 hours per day respectively added to the number of hours worked and additional service allowances were paid for approximately 6,226 inactive hours of 04 hours and 02 hours each on a day for the holidays taken by 04 special grade nurses and 64 nursing officers in the Peradeniya Teaching Hospital during the 08 months from January to August 2021.

- (d) It was observed that in providing additional service allowances for the nursing staff, it is based on every week from 7 a.m. on Sunday to 7.00 a.m. on following Sunday and additional payment are made for every hour worked in excess of 36 hours in a week. However, when called for duty on the free day, since it has to work for a period of 42 hours per week and exceeds the limit of 36 hours mentioned above, it was arranged to pay additional allowances for the remaining 06 hours. It was observed that double payments are paid for the same period of time as holiday pay is also paid for performing duties on that weekend. Accordingly, 11 special grade nurses of the Kandy National hospital received Rs.1.32 million as holiday payments and Rs.331,800 as additional service allowances for performing their duties on weekends during the period from 27 December 2020 to 28 August 2021 and the Peradeniya Teaching Hospital had

The payments have been made as per the provisions of the circular and that instructions have been given to the relevant officials to re-examine the provisions mentioned in the circular.

-Do-

paid double allowances for the same period of duty as the holiday payments of Rs.448,197 and extra service allowances of Rs.331,800 for performing duties on weekends.

(e) Kandy National Hospital special grade nursing officers sign that they have been on active duty for 12 hours if waiting duty and without evidence of being called up for active duty for 12 hours of daily waiting duty as a normal practice during the waiting period as ward duty, office duty or recorded as active duty as night supervision and received full extra service allowance. As a result, Rs. 589,340 was overpaid as additional service allowances during the period from 27 December 2020 to 25 September 2021. Also, the special grade nursing officers of Peradeniya Teaching Hospital sign that they have been on active duty for about 06 hours from the waiting service period and full additional service allowance was taken as having been engaged in active duty as ward duty, office duty or night supervision for about 06 hours during the daily waiting period as a normal practice without evidence of being called up for active duty. Due to that, Rs.240,950 was paid more as additional service allowances during the period from 27 December 2020 to 28 August 2021.

(f) The duty roster was not formally prepared with the approval of the head of the institution for the special grade nurses of the Peradeniya Teaching Hospital to be employed on waiting duty. Also, special grade nurses did not followed a duty shift system to work on public holidays. There were occasions when all special grade nurses reported for duty on public holidays without the approval of the head of the institution. Rs.239,052 was paid as holiday

The duty hours of the special grade nurses are 7.00 a.m. to 5.00 p.m., Since there is no officer for the period from 5.00 p.m. to 7.00 p.m. after all special grade nurses finishing service at 5.00 p.m. and leaving at 5.00 p.m., the special grade nurse who is on night duty for supervisory activities will have to cover the duty and be on active duty during that time, Also, since it takes several hours of the night for the officer to visit internal wards and units of the hospital after 7.00 p.m., she will have to engage in active service for about 06 hours from the time related to that night duty and that additional service allowances will be payable for these hours.

Agree with the observation and shifts have been prepared, approved and act into service.

-Do-

A duty shift system should be implemented to reduce cost.

payments for working on 20 days of public holidays and the cost could have been reduced through a shift system during the period from 27 December 2020 to August 2021, but no attention was paid to it.

- (g) Only one special grade nurse was working in Peradeniya Teaching Hospital from the year 2011 and three more officers were assigned in the years 2019 and 2020. According to an analysis of the number of service hours performed by these officers during the period from 2018 to August 2021 during the normal duty period, instead of reducing the number of additional service hours due to the increase of the number of officers, the average number of additional service hours increased from 344 hours to 841 hours and it was observed that it had increased by about 144 percent.
- Agree with the observation, Only one special grade nurse was working from the year 2011, Nurses covered the services of the other officers and those tasks are performed by 04 nurses of this special grade now.
- Additional officers should be employed after identifying the need.
- (h) Only Rs.48,950 as monthly training allowances and Rs.7,800 as cost of living allowances can be paid to intern doctors during the year 2021 and that allowances paid by the provincial councils to the intern doctors assigned by the ministry to the provincial council hospitals for training should be reimbursed by the ministry to those provincial councils. However, apart from the monthly training allowance and cost of living allowance, a monthly allowance of Rs.750 was paid to the intern doctors of 14 hospitals from the sample of 20 provincial council hospitals. Furthermore, although the monthly allowance of Rs.2,500 approved by the Public Administration Circular No. 09/2019 dated 22 April 2019 cannot be paid to intern doctors, the allowance was also paid to intern doctors in 11 provincial council hospitals. Accordingly, Rs.8.47 million
- Agree with the observation, That the necessary action has been taken to correct that payments now.
- A full investigation should be conducted in this regard and arrangements should be made to collect the overpaid amount from the responsible parties and take formal action against the responsible officers.

of allowances which are not legally entitled to the intern doctors were paid by the relevant provincial councils only in the year 2021 and the ministry had reimbursed the amount to the provincial councils.

- (i) Although the interns were to be appointed as doctors and attached to the hospitals on completion of their one year training period, instead they were appointed as post-intern doctors and paid the salary and all other allowances of a medical officer as an allowance. Even though the allowances reimbursed by the ministry to the provincial councils should be recovered for the post-intern doctors as permanent appointments will be given to them with effect from the date of their assignment as post-intern doctors, Rs.525.87 million, which had been reimbursed by the ministry to the provincial councils, had not been recovered from the relevant provincial councils in the year under review.
- Agree with the observation and although interns should be given permanent appointments as doctors on completion of their annual training period, circular instructions have been given to pay the salary and other allowances to a doctor appointed as a post-internship doctor since appointments have not been made on time as prescribed and the relevant payments have been made accordingly.
- After completion of one year training period, they should be appointed as doctors and assigned to hospitals. Arrangements should be made to recover the money to be recovered from the provincial councils.
- (j) The Chief Internal Auditor of the ministry observed that the north Colombo Teaching Hospital had overpaid Rs.9.86 million as allowances to 21 officers in relation to 04 positions in accordance with the provisions of Public Administration Circular No. 03/2018 dated 20 February 2018 and it was informed to the secretary on 23 February 2022, but the amount had not been recovered back by 30 June 2022.
- Agree with the observation, That the 21 officers have been informed to repay the amount to be charged and that they will take action to recover this amount.
- A full investigation should be conducted in this regard and the overpaid amount should be recovered from the responsible parties and formal action should be taken against the responsible officers.
- (k) According to paragraph 3(III) of the Public Administration Circular No. 03/2018 dated 20 February 2018, when an officer is reemployed in a post with a lower salary scale than the post he or she was serving on the date of retirement, although a monthly allowance equal to the lower of the two corresponding
- That the information regarding the allowances paid to the 14 officers concerned will be investigated and is there is any amount to be recovered, it will be recovered.
- Do-

salary steps in the salary scale of pay applicable to the new post shall be payable or the last payment of the salary in public service to him or her, 14 officers who were re-employed in other positions with a lower salary scale than the position they served on the date of retirement were paid the monthly salary as monthly allowance.

2.9 Fraudulent Transactions

The following observations are made.

Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
(a) The officer who was working as the Deputy Director of the Outdoor Patient Dispensary of the Colombo National Hospital had been approved for two years study leave with pay since 03 November 2019, but the officer had informed that only one year leave up to 02 November 2020 would be used. According to information submitted for the audit, this officer was paid Singapore \$26,376 for the overseas training period in an approved year, but stayed in Sri Lanka for more than 08 months of this year and received foreign training allowances. Since the ministry was not informed that the officer receiving online training during her stay in Sri Lanka, it was not legally to receive foreign training allowances and monthly salaries for this period.	That the cost of living allowance received by this officer during the training period has been paid back to the ministry and after the recommendations of the investigation regarding the officer are submitted, further action will be taken regarding her stay in the country without informing the ministry and receiving the relevant allowances.	A full investigation should be conducted in this regard and the salary and allowances paid for the period of non-employed should be collected from responsible parties and formal action should be taken against the responsible officers.
(b) Total of Rs.7.20 million had been overpaid to the supplier due to the payment of Rs.3.85 million was paid as salary arrears as payment made by Castle Street Women's Hospital for the period from August 2018 to January 2019 for obtaining of hospital cleaning services, without checking the monthly attendance records and salary records of the cleaning staff and due to	Disagree with the observation, Rs.3,334,552 and Rs.4,437,350 have been charged and credited to the state revenue in March 2020, as the amount allocated for the workers who provide night services has actually been paid to the supplier. The said institution has informed the	A full investigation should be conducted in this regard and the overpaid amount should be recovered from the responsible parties and formal action should be taken against the officers who made the incorrect

payment of salary arrears of Rs.335 million contrary to the 04 conditions given by the ministry procurement committee on 17 December 2018 regarding the increased allowances paid by the government to those employed in the sanitation industry as per the special gazette No. 2080/22 dated 16 July 2018.

Department of Labour regarding payments. the non-payment of the said amount to the relevant workers and take action accordingly.

3. Operational Review

3.1 Non-achievement of Expected Outcome

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>(a) A software was purchased for Rs.250,000 in the year 2014 to computerize, update and maintain fixed assets by the National Center for Nephrology and Kidney Transplantation and a software installed in the year 2019 at an expenditure of Rs.1.8 million for the examination of patients in the Infertility Clinic by Castle Street Women's Hospital were not implemented by 30 April 2022.</p>	<p>Due to lack of staff, it is not possible to update and maintain the installed software of the National Center for Nephrology and Kidney Transplantation and that the software installed in the Castle Street Women's Hospital had not been implemented by 30 April 2022 due to weaknesses in the system and lack of human resources.</p>	<p>Action should be taken to use this software or conduct a formal investigation in this regard and take necessary action against the responsible parties.</p>
<p>(b) According to the information submitted for the audit, 07 projects had been completed with an estimated cost of Rs.56.47 million at Trincomalee General Hospital, Siyambalangamuwa Central Dispensary and Elpitiya Base Hospital and a project of the Monaragala District General Hospital with a contract value of Rs.15.82 million were remained idle as at 31 December 2020.</p>	<p>Disagree with the observation, It has been decided to start a primary health care unit based on the need of the area in the kidney hospital building built in Siyambalangamuwa Central Dispensary and to improve it in future and to carry out further work in this regard by the Director of North West provincial Health Services, That the legal ownership of the land of the Monaragala District General Hospital building is in progress, As some of its features are not complete, it has not been put into permanent use but has been used in cases of need during the Covid period.</p>	<p>Necessary action should be taken to utilize these assets effectively.</p>

3.2 Abandoned Projects without Completion

 The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<p>(a) Phase I of the construction of the Eye ward building with an operating theater in Kaluthara Teaching Hospital was completed on 03 December 2016 with a work value of Rs.44.01 million and phase II was awarded to a contractor on 01 June 2017 with a contract value of Rs.158.71 million on the condition of completion of work within 455 days and Rs.34.29 million with taxes was paid as advance for commencement of work on 21 July 2017. The contractor had abandoned the work site since 30 August 2018 and due to that; the contract had been terminated by the ministry on 13 December 2018. The uncovered advance amount as at 30 August 2018 was Rs.26.67 million and the advance guarantee amounting to Rs.29.82 million had failed to be encashed even by 07 February 2022. The contractor had filed a case in the Western Province Commercial High Court against the cancellation of the contract by the ministry and the Attorney General’s Department had informed on 08 November 2019 that there is a possibility of completing the remaining construction with a new contractor in accordance with the procurement rules and procedures. But, they had failed to act according to the recommendations of the Attorney General’s Department by 07 February 2022 and had not taken measurements with the contractor and prepared the final bill. Due to abandonment of a work site with construction costing Rs.44.01 million under phase I and construction costing Rs.21.29 million under phase II, the building was being destroyed due to the steel wire used in the concrete beams and slabs of the second and third</p>	<p>Agree with the observation, That a total amount of Rs.79.77 million has been paid for phase I, phase II of the construction of the building, It has been informed by the letter dated 31 March 2022 to the construction safety fund to proceed to encash the advance guarantee, legal advice has been sought according to the reply given by the constructions safety fund, The recommendations of the contracting firm have been called for the final bill, but the bill has not been submitted by the consulting firm yet, That payments have been made under the 2001 budget due to the lack of funds to make payments under the 2104 expenditure subject for new constructions and that the expense will be accounted under non-financial assets and included in the fixed assets register.</p>	<p>Arrangements should be made to encashed the advance guarantee and further steps should be taken to ensure that the amount spent on the building does not become an idle expense.</p>

floors of the building were rusted and destroyed, rainwater seepage and entry of various animals. The ground floor which was completed on 03 December 2016, was usable after renovation, but no attention had been paid to it by 07 February 2022. Due to the provision of financial provisions related to this construction under an incorrect expenditure subject, Rs.91.36 million spent on the project was not accounted under non-financial assets in the financial statements of the ministry.

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| (b) | <p>31 Projects that had been started on the basis of the ministry's agreement to provide financial allocations with an estimated cost of Rs.27,207.72 million had been abandoned without completion as at 31 December 2020 after spending Rs.4,283.87 million. It was informed that the relevant hospitals do not have the information about the expenses spent on 04 projects.</p> | <p>Agree with the observation, the Central Consultant Bureau of Engineering Works has been informed to prepare the estimate within the recommended value by the National Planning Department regarding phase II of the Sri Lanka Dental (Teaching) Hospital, but the final estimate has not been submitted yet, The Little heart building of the Lady Ridgeway Children's Hospital was built by the Sri Lanka Navy, As the contractor has stated that the physical progress is 51 percent due to insufficient provision for the building in Badulla General Hospital, The contractor said that the Horana Base Hospital building cannot be completed within the existing estimate and due to that a revised estimate has been submitted to change the design, That the work will start after getting the necessary approval and that all the information related to the remaining projects will be submitted in future.</p> | <p>All the responsible parties involved in these projects should work together and take formal steps to complete the work of the projects as that the amount spent yet does not become an idle expense.</p> |
| (c) | <p>Hambanthota District General Hospital had contracted with the contractors in the years 2020 and 2021 for the work of 02 construction industries with a total contract value of Rs.7.40 million and it had been abandoned by the contractors and Rs.1.5 million that had been paid to the contractors</p> | <p>Agree with the observation, Due to the economic crisis caused by the easter attack, the lecture hall of the College of Nursing was abandoned without starting and the construction of the kitchen for the nursing lounge was started in the year 2020 as per</p> | <p>-Do-</p> |

by the month of July 2021 had become an idle expense.

the instructions given to suspend the projects that had not been started and the main reason for this was that the contractor did not complete the project as scheduled due to non-receiving of provisions and imprests and the inability to settle the bills submitted by the contractor as scheduled.

3.3 Delays in Project Execution

The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>The work on 03 construction projects with an estimated cost of Rs.610.93 million planned to be implemented by the ministry had not started even on 31 December 2020 and there were delays in the implementation of 09 projects with an estimated cost of Rs.3,080.33 million in 08 hospitals and institutions under the ministry from 01 to 15 years.</p>	<p>Agree with the observation, Some constructions are in progress, many constructions have been delayed due to the covid 19 pandemic situations, insufficient allocation of funds and weaknesses in financial flow.</p>	<p>All the responsible parties involved in these projects should work together and take formal steps to complete the projects.</p>

3.4 Projects without progress despite the release of money

The following observation is made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>Sufficient provisions had been released until 31 December 2020, but insufficient progress had been made on the construction of 05 projects with an estimated cost of Rs.5,511.23 million and the total amount spent at that time was only Rs.932.74 million.</p>	<p>Agree with the observation, This situation has arisen due to the covid 19 epidemic situation and the weaknesses in the financial flow and other various reasons.</p>	<p>All the responsible parties involved in these projects should work together and take formal steps to complete the projects.</p>

3.5 Foreign Aid Projects

 The following observation is made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<p>The Hambanthota District General Hospital was built by the Enras Nonus project and started operations in December 2019. No formal system was established for the disposal of chemical waste in the hospital and it was observed that degradable and non-degradable chemical waste disposed from places such as the hospital laboratory, Blood bank, mortuary and laundry were informally disposed to a swamp near the hospital without clean. Also, it was observed that the water coming out of the Paldoru system was being released into a canal and the laboratory sample tests were not done to ensure that water was at a suitable level to be released into the environment. It was observed that 13 equipments and machines which were not disclosed the value and given to the hospital laboratory were idle for a long time without being used because they were not in accordance with the layout of the laboratory and due to that the money spent to purchase and install those equipments was an uneconomical expenditure. The fire protection system of the hospital was installed by a private company and handed over to the hospital on 01 November 2017 and the warranty period of that system had ended on 01 November 2018. However, since the new hospital's operations had started in December 2019, the warranty period of the fire protection system had expired before it was even used. Although an agreement of Rs.332,500 was entered with the relevant institution for the service and maintenance of the fire protection system for a period of one year from 17 July 2020 to 18 July 2021, subject to the condition of performing 03 service periods in a year, the terms of the contract had not been performed and only one service had been performed as at 05 April 2021. Annual service and maintenance contracts had not been entered</p>	<p>Agree with the observation, Attention was not paid to the disposal of chemical waste during the construction of the new hospital, Due to this, it has been decided to dispose of this water in a place of free of population and it has been confirmed by laboratory tests that the water disposed from the paldoruva is at an appropriate level to be released into the environment, That the project had purchased equipment that did not confirm the laboratory's layout, That the defects in the fire protection system had been repaired but contractual payments had been suspended and that bids had been called for the selection of a new contractor.</p>	<p>A formal system should be established for waste disposal. A formal investigation should be conducted in this regard and further action should be taken against the responsible parties.</p>

with suppliers for 09 installation systems in the hospital until 05 May 2021. As a result, they remained idle without being able to use them efficiently due to the occurrence of errors in some systems.

3.6 Locally Funded Projects

The following observation is made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<p>Based on the basic estimate of Rs.1,333.04 million given by the State Engineering Corporation of Sri Lanka on 16 September 2015 for the construction of the six-storey theaters building at the Horana Base Hospital, the contract was awarded to the State Engineering Corporation of Sri Lanka on 27 November 2017 subject to the condition of completion of the work within 24 months for a contract value of Rs.1,333.04 million with taxes on the basis of design and build subject to the approval of the Standard Technical Evaluation Committee of the Ministry of Housing and Construction. Although the work should commence within 14 days as per the contract award letter, even by knowing that it is not possible to start the work due to the problems prevailed at the construction site, Rs.221.14 million with taxes were paid to the contractor on 15 December 2017 as an mobilization advance and a formal contract agreement was not entered as per guideline 8:9:1of the Code of Government Procurement Guideline. The work had started after 06 months from the date of payment of mobilization advance. After allocation of Rs.19,065 million for this contract in the year 2019, no allocation was made until the year 2022. Due to non-maintaining satisfactory progress of the construction, only Rs.4.82 million could be covered from the mobilization advance amount and the work was not completed by 25 January 2022.</p>	<p>It is mentioned in the contract award letter that after receiving the recommendation of the Standing Technical Evaluation Committee, a standard contract agreement is to be entered regarding the relevant work, until then the bill of quantitates, plans, general contract conditions, letters of award and acceptance of the contract will be accepted as statutory documents, That allocations were requested for the years 2020,2021 and 2022, but no allocations have been made, Rs.4,817,451 have been covered from the first and second bills of this project, As the third and fourth bills were not submitted according to the approval estimate, The said bills were forwarded to the State Engineering Corporation and the construction work of this project has been delayed due to the State Engineering Corporation submitting a revised estimate and maintaining a slow construction progress.</p>	<p>All the responsible parties involved in these projects should work together and take formal steps to complete the projects.</p>

3.7 Procurements

 The following observations are made.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(a) The contract for the supply and installation of an air condition system and medical gas system for the catheter laboratory of the Kaluthara Teaching Hospital was awarded to a contractor on 16 September 2020 with a contract value of Rs.5.11 million on the basis of completion of the work within 63 days.		
(i) The contractor had not registered with the Registrar of Public Contracts in terms of sub-section 6 (i) (a) of the Public Contracts Act No. 03 of 1987 and had not registered the contract within 60 days after the award of the tender.	Agree with the observation and at present, it is working according to the provisions of the Public Contracts.	Should be followed the provisions of the Public Contracts Agreement Act.
(ii) Due to that the price analysis related to 04 work subjects costing Rs. 3.02 million and a reconciliation report for confirming the technical specifications related to those 04 work subjects was not submitted for audit, the estimated unit price or the correctness of the construction related to the 04 work subjects could not be confirmed. Different types of equipments than those agreed to be installed as per the technical specifications were supplied and installed without agreement or approval of the hospital. Before making the related payments, the hospital authorities had asked for the advice of the ministry in this regard, but without examining the matter in depth and issuing specific instructions, the issue was referred to the hospital regional procurement committee on 31 December 2021 to take a decision.	Disagree with the observation, That the Central Engineering Consultancy Bureau, which provides technical advisory services related to this construction, has given recommendations regarding the equipment installed, Mainly considering the need to maintain patient care services, the hospital procurement committee should take a decision in this regard according to the relevant tender documents and existing legal provisions and that the consultant fees payable to the Central Engineering Consultancy Bureau have been suspended pending a final decision on the audit query.	A formal investigation should be conducted in this regard and further action should be taken.

- (b) The contract to upgrade the Angiogram room of the Kaluthara Teaching Hospital into a catheter lab was awarded to a contractor on 24 August 2020 with a contract value of Rs.7,897,480 on the basis of completion of the work within 63 days.
- (i) The contractor was not registered with the Registrar of Public Contracts in terms of sub-section 6(i) (a) of the Public Contracts Act No. 03 of 1987. Also, the contract agreement was not registered within 60 days after the bid was awarded. Agree with the observation and at present, contract registration is done by this hospital according to the general contract agreement. Should be act as per the provisions of the Act.
- (ii) Although a minus value of Rs.400,000 had been included in the engineering estimate for removing and taking away from the hospital premises 02 doors and 02 windows with lead plates installed at an expenditure of Rs.2.21 million on the fourth floor of the new clinical building which was completed on 25 May 2017, the related price analysis was not submitted for audit. Also, it was not confirmed for what purpose the estimates were prepared to remove those doors and windows. A minus Rs.400,000 was included in the cost estimate for this work subject, but no information was included in the bid documents that the price is a minus value or that the amount will be deducted when paying for the work done. Disagree with the observation, That parts removed from old buildings are usually considered as scrap materials during the construction of new buildings, That the financial value should be determined considering the damage that may occur during removal, That Rs.400,000 has been retained from the contractor and payment of the remaining amount has been made and pending the decision of the ministry in this regard and the payment of consultant fees to be paid to the Central Engineering Consultancy Bureau has been suspended. A formal investigation should be conducted in this regard and further action should be taken.
- (iii) On 30 May 2021, an installment payment of Rs.4 million had been made based on the completed work as at 23 December 2020 with a value of Rs.8.67 million. However, the problematic situation that had arisen in connection with the settlement of the final bill had been referred to the ministry for advice, but proper attention had not been given Disagree with the observation, That the Central Engineering Consultancy Bureau and the Engineering unit of the ministry have acted as per the instructions, That the matter in question should have been studied and a decision made during the bid evaluation -Do-

to it and proper advice had not been given. Instead, the Administrative Officer (Building) of the ministry had recommended paying Rs.5,000 to the contractor and taking away 02 doors and 02 windows with lead sheets to the contractor. Accordingly, the officers had arranged deliberately or negligently to pay Rs.5,000 to the contractor to remove and take away 02 doors and 02 windows which were fixed at a cost of Rs.2,214,000 in year 2017 but were not .

process, It is not possible to not make payments based on the prices accepted after the bidding process and according to the request of Director of Kaluthara Teaching Hospital, the Administrative Officer instructed with the recommendations of the Director (Building) Engineer and the approval of D.D.G. (Supplies).

(iv) Price analysis relating to two work subjects included in the cost estimate amounting to Rs.1,350,000 was not submitted for audit. Agree with the observation. Price analysis related to two work subjects should be submitted for audit.

(c) While the medical supply division has provided enough N95 face masks to the Colombo North Teaching Hospital, the hospital authorities had purchased 1,080 N 95 face masks at total amount of Rs.2,214,000 at Rs.2,050 each and following the shopping method with considering them as emergency on two occasions in the year 2020. In the second instance, 1,000 N 95 face masks were purchased from the same supplier without regard to the fact that the 80 face masks ordered in the first instance were supplied almost 05 months late. The hospital had failed to maintain transparency in the first and second procurements due to the fact that confirmed that one of the 04 bids received for the first procurement was a fake bid, in the second procurement, notes were made that the prices were called by fax from 06 institutions but the evidence to prove it was not submitted for the audit, two bidders were not registered suppliers of the hospital's surgical consumables and one other bidder was not a face mask supplier. According to guideline 6.6.2 of the 2007 Pharmaceuticals and Medical Devices Procurement Guidelines, even though emergency procurements should be referred to government institutions due to that the price Disagree with the observation, This purchase was made at the request of the microbiology specialist who said that the use of N 95 face masks provided by the medical supplies division threatens the safety of the laboratory workers, The supply was delayed due to the temporary suspension of the order as the covid epidemic situation had settled down by the time of the first 80 face masks were supplied, Imedra Healthcare (Pvt) Ltd company's representative has been asked over the phone and the prices have been taken, As the State Pharmaceutical Corporation did not have stock at that time, it has been arranged to purchase prices locally and such local purchases will be minimized as much as possible in future and will be done according to the advice and approval of the medical A formal investigation should be conducted in this regard and further action should be taken.

inquiry was not made from the State pharmaceuticals Corporation, they had lost the ability to purchase an N 95 face mask at Rs.475 each at that time and as a result, Rs.1,701,000 was overpaid for 1,080 face masks at a price of Rs.1,575 per face mask. supplies division.

- (d) 03 Fully Automated Biochemistry Analyzer equipments were purchased for Rs.22.2 million for the Pathology laboratory (Path lab) of the Colombo National Hospital in the year 2021 following the national competitive bidding system and Rs. 15 million were paid for the two of these equipments. Procurement activities were not carried out in accordance with guidelines 4.2.2, 4.2.3, 2.12, 6.3.6 and 2.14.1 of the Government Procurement Guidelines. This laboratory had purchased 03 new equipments that could perform at least 12,000 tests daily with exceeding the average daily test requirement of 7,871, but 02 equipments were underutilized and 01 device was not in use. Instead of using the standard technical specifications for this device, the procurement was done using a new set of specifications without the approval of the Biomedical Engineering Services Division and which did not include 05 critical criteria contained in the standard technical specifications. 03 Critical criteria included in 02 equipments purchased from the supplier recommended by the procurement committee were contrary to the requirement specifications. According to standard specifications, the unit had to be an open system and produce accurate test results using any reasonable quality reagent. Contrary to the said critical specification, the technical specifications for this procurement were prepared and 02 equipments were supplied with closed system instead of open system at the discretion of the bidder. As a result, these 03 equipments were purchased without making any evaluation regarding the availability and prices of the reagents required for the tests carried out with the equipment and due to that, the price of the equipment was determined at
- That the relevant officers have been instructed to comply with the provisions of the Code of Government Procurement Guidelines, Between 7000-8000 daily tests have been done with 08 Biochemistry Analyzers, out of that 06 equipments are more than 10 years old and thus this need has been identified considering the need in the coming years, That the specifications were suitably prepared as per the requirements of the hospital, That no detailed evaluation was carried out as the respective bidders did not achieve the required documents during the basic bid evaluation, That OEM certification was checked when the machine was installed and that there is no prior inspection, That the technical evaluation committee has focused on the machine rather than the reagents, The institute has agreed to provide reagents for 5 years and the officers were instructed to conduct evaluations focusing on the machines and related reagents in future, In the application of non-mechanized reagents, the lifetime of the machine's tubing system, cuvettes and volume dispensers may be shortened and due to
- A formal investigation should be conducted in this regard and further action should be taken.

the discretion of the supplier. It was proved that 02 equipments were provided for Rs. 15 million, which was less than the original cost of 02 equipments of Rs.48.69 million and that the price of the reagent was allowed to be determined at the discretion of the supplier, with considering the unit prices submitted on 17 September 2019 and the unit prices submitted on 29 September 2020 for reagents, consumables and calibrators quoted by the supplier for this type of equipment, for 87 types of reagents, price has been increased from Rs.2,558 to Rs.52,025, for 9 types of consumables, from Rs.1,821 to Rs.4,335 and for 19 types of calibrators, from Rs.3,468 to Rs.10,838. Although it is a critical criterion to obtain Original Equipment Manufacturer (OEM) and the date of manufacture certificate), Since the certificates had not been obtained regarding the 02 equipments that had been purchased, it was not possible to confirm whether the 02 equipments were brand new equipment during the audit. As per standard technical specification, reagents and other consumables (startup kit) require for evaluation test should be provided, but the supplier did not provide enough reagents and calibrator for the evaluation tests as the technical specifications prepared by the hospital did not mention that specification. In response to requirement specification, it was stated in the bid document that "Limited channels will be opened on customer request", but it was wrongly noted in the bid evaluation document that "15 channels can be opened on request" and the bid evaluation was done. The number of test types or channels that can be opened in the 02 equipment that was provided was not identify until 31 January 2022. Since more than 03 years had been spent for the procurement activities, but the acquisition of a suitable place for the installation of 02 equipments and the necessary air-conditioning facilities and the required electrical power capacities had not been completed, it was observed that 02 equipments costing Rs.15 million were not fully utilized for patient care even on 30 April

tis, there may be problems with the quality of the assets, That the supply of the required reagents for the evaluation tests by the supplier is as usual, That the same has been done with regard to this supply and these matters will be included in the tender document in future, It has been confirmed that the relevant bidder can provide specification number 15 and that the relevant officers have been instructed to identify and submit the types of tests to be opened, Due to the practical inconvenience caused by the absence of a permanent biomedical engineer for the hospital, the specialist doctor in charge of the pathology division has taken over and that officer has not been able to mention the date due to some omission despite her signature there, That the relevant officers were instructed to inform through a proper method that such high-tech and expensive machines were installed.

2022. The rest of the equipment was delivered to the hospital more than 23 weeks late contrary to the terms of the purchase order, but its evaluation testing had not been done and it had not been used for patient testing by 30 April 2022. Also, the performance guarantee of Rs.72,000 had not been obtained.

- (e) A fully automated hormone analyzer (Architect i2000SR) equipment was purchased at an expenditure of Rs.4.5 million for the Radio Immunoassay Lab in the Colombo National Hospital following the national competitive bidding system in the year 2021. Procurement activities were not carried out in accordance with guidelines 2.12, 4.2.2, 6.3.6 and 5.4.10 of the code of government procurement guidelines and provisions 2.14.1 and 4.2.3 of government procurement guidelines manual. The approval of the biomedical engineering division was not obtained for the technical specifications prepared in relation to this equipment. The need for 61 types of tests that can be performed by this equipment was identified, but no written evidence was submitted for the audit to confirm that need. Out of those 61 types of tests, 21 types of tests could have been done using the old hormone analyzer equipment, but those 21 types of tests were not done in the last 03 years. It was observed that only 22 types of tests were performed during the period of 8 months till 31 January 2022 since this new equipment was established on 07 July 2021 and 21 of that test types could be performed by the old machine. Also, due that the specification of the unit shall be an open system and shall produce accurate test result using any reasonably good quality reagent was not included into the specifications, as the ability to provide reagents needed for the equipment at competitive prices and the ability to provide a backup system on temporary basis specification was not included, the ability to continue the sample testing service until they were rectified in the event of malfunctions and breakdowns of the equipment was also lost. Further, according to the Sri Lanka Customs clearance certificate,
- That the officers have been instructed to complete the requirements of the government procurement guidelines in future procurements, The specifications with 61 tests have been prepared anticipating the future needs of the hospital for next 10 years, because the analysis time of the fully automated hormone analyzer machine was limited, It was not possible to perform 21 tests that were in the test antibody and the laboratory is not only for Colombo National Hospital, it is about 12 types of testes conducted for several hospitals, Since the specifications related to the equipment with the capacity required by the hospital were not published on the website of the Biomedical Engineering Services division, the technical evaluation committee prepared the specifications to suit the equipment in that time, That open system cannot be used for such hormone analyzer machines and that specifications have been made to enter into contracts for warranty certificates and service maintenance in the case of breakdowns, That the technical evaluation is done for the bid submitted and not for
- A formal investigation should be conducted in this regard and further action should be taken.

although the cost of this equipment is Rs. 21.67 million, the supplier had provided it at a low price of Rs. 4.5 million, but there was not assess regarding the availability and prices of the reagents required for the tests conducted with the equipment. As a result, the equipment was provided at a low price and the price of the reagents was allowed to be determined at the discretion of the supplier. Although onsite training for laboratory technical staff for operating the equipment and adequate training for medical laboratory technologists for installing the equipment should be provided free of charge, written evidence confirming that the requirement was fulfilled, was not submitted for audit. Also, according to the requirement specification, the bidder should provide comprehensive training in overseas training center on applications and troubleshooting to two medical laboratory technicians without charging fees within one year of installing the equipment, but almost 8 months have passed since the installation of this equipment, but no such training has been done till now.

the customs clearance amount, Reagents have to be purchased from the supplier from whom the machine was purchased and the local agency has given some training on the operation of the machine to be Medical Laboratory Technicians (MLT) of the laboratory, They are conducting the tests correctly, Due to the covid 19 epidemic, it has not been possible to organize the above foreign training and that the local representative has been informed to organize the training in future.

- (f) A fully automated immunoassay analyzer was purchased for Rs.5 million on 13 August 2021 with following the national competitive bidding system for pathology laboratory (Path lab) of the Colombo National Hospital. Procurement activities were not carried out in accordance with guidelines 2.12 and 4.2.2 of Code of Government procurement guidelines and provisions of 2.14.1, 4.2.3, 5.3.11 and 6.3.6 of Government procurement guidelines manual. According to the tender documents prepared for the purchase of this equipment, although the requirement of 63 types of tests was mentioned as a critical criteria, written evidence regarding the identification of those requirements was not submitted for audit. Also, this equipment was installed on 16 August 2021, but only Troponin I test was done during a period of 07 months till 31 March 2022. But, that test could have been done by the Nano Check (POCT) equipment in the laboratory and the ADVIA

The officers were instructed to comply with the provisions of the Code of Government Procurement Guidelines and that the immunoassay analyzer was installed in the night laboratory to conduct the highly sensitive Troponin I test as there were many weaknesses in the Nano Check (POST) analyzer, That the day laboratory uses the fully automated analyzer to perform many tests, The specifications related to the equipment with the capacity required by the hospital were not published on the website of the biomedical engineering division, so the technical evaluation committee set the

A formal investigation should be conducted in this regard and further action should be taken.

Centaur XP equipment in the Radio Immunoassay Laboratory and the newly purchased fully automated hormone analyzer equipment. Accordingly, it was observed that this equipment was purchased without necessity. Also, the standard technical specifications related to this equipment had not been prepared by the biomedical engineering division and due that although the hospital authorities had prepared the technical specifications, biomedical engineering division approval was not obtained for those specifications. The technical specifications that had been prepared did not include the specifications that the unit shall be an open system and shall produce accurate test result using any reasonably good quality reagent and the specification of backup system on temporary basis etc. was not included and due to that, the ability to continue the service was also lost until they were rectified in the event of malfunctions and breakdowns. Also, according to the Sri Lanka Customs clearance certificate, although the cost of this equipment is Rs.13.79 million, the supplier had provided it at a low price of Rs.5 million, but due to the lack of evaluation regarding the availability and prices of the reagents required for the tests carried out with the equipment, the equipment was supplied at low cost and the price of the reagents was allowed to be determined at the discretion of the supplier. This was confirmed that the supplier has increased the price of reagents, calibrators and consumables used for this type of equipment from 21 percent to 51 percent in the year 2020 compared to the year 2019.

specifications to suit that equipment in that time, As not all hospitals can use the same specifications while purchasing a fully automated immunoassay analyzer, the specifications for the immunoassay analyzer will be made according to the needs of the hospital, That open system cannot be used for such hormone analyzer machines, That the specifications have been set up by including facts to contract for warranty and service maintenance regarding breakdowns and that the technical evaluation committee will not evaluate the goods for the customs clearance amount, but that is done by using the bid submitted by the relevant bidder, Due to the practical inconvenience caused by that there was no permanent biomedical engineer for the hospital, the specialist doctor in charge of the pathology division has taken over the equipment and informed the relevant officials to prepare a suitable method for accepting such high-tech machines in future, That the relevant officers were instructed to inform through proper method that such high-tech and expensive machines were installed and according to the requirement specifications, the supplier provided a new printer but not a new computer, A used computer was provided in a take-back basis and according to the agreement, a new computer will be obtained as soon as possible.

- (g) Two suppliers had provided the raw food ingredients required to provide cooked food to the patients and junior staff of the Kaluthara Teaching Hospital for the one year from January 2021 to January 2022. A monthly requirement of 111 and 148 types of food, fruit and other materials for the years 2020/2021 and 2021/2022 was identified respectively, but it was observed that the quantity ordered the number of items that exceeded 75 percent of the monthly requirement was very less and the number of items that were not ordered in 04 months was about 45 percent of the total number of items according to the information regarding the supply of raw food in the first 4 months of the year 2021, which was submitted for audit and the contract value for the 04 months for the items not so ordered was Rs. 1,978,640. Also, the value of raw food actually supplied in the first 04 months was about 47 percent of the value of the estimated monthly requirement, Accordingly, it was observed that the monthly material requirement has been estimated without any logical method, the procurement process complicated and limited the competition and several contractors who have understood this situation offer a low price for the materials that are not ordered and less ordered by the hospital and a high price for the materials that are ordered in more quantity and get the contract, the hospital authorities had refrained from ordering the materials for which the contractor had offered a relatively low unit price, and by removing the unnecessary items and preparing a realistic estimate, the procurement could have been assigned to the local procurement committee and the delays could have been minimized. It was observed that large quantities of cooked food were remained during the audited period from 10 January 2022 to 21 January 2022 as there was no system in place to cut off any amount of food to reduce employees food wastage, cooked rice was remained more than 34 kg in some days. Although the number of employees
- That all relevant information is being prepared and submitted later, That unnecessary food items are being removed while preparing estimates for the coming years, that dry food items are not provided from time to time due to high inflation in the country, They have used substitutes to maintain the nutrition of the patients in the absence of proper advice from the ministry and due to high inflation and food storage, they have given fish instead of eggs, chicken and dry fish, If proper instructions had been received from the Ministry of Health, it would have been possible to do so and that the number of employees would be monitored from time to time and work would be done to reduce the ordered quantities.
- All relevant information should be submitted for audit and a formal investigation should be conducted in this regard and further action should be taken.

who ordered morning, afternoon and evening meals on 10 January 2022 was 300, 280 and 85 respectively by 20 January 2022, the number of employees will be reduced to 110, 225 and 65 respectively. Accordingly, it was observed that if the hospital authorities had properly supervised the process of providing food to employees, they could have reduced about 40 percent of the annual expenditure of employee food.

(h) Kaluthara Teaching Hospital had procured the hospital cleaning service for the year 2021/2022 from a private institution.

(i) As per the procurement conditions, the contractor had not submitted laboratory test reports for the cleaning chemicals agreed to be supplied and instead had submitted Material Data Sheets (MSDS) which were not acceptable as laboratory test reports. But this was not considered during the bid evaluation and recommendations were made based on the data sheets.

The tender award is made by the Ministry of Health and that the brands of the cleaning materials to be supplied by the contractor or their condition have been evaluated according to the tender documents.

A formal investigation should be conducted in this regard and further action should be taken.

(ii) The manufacturer or product name of the chemicals agreed to be supplied by the contractor had not been included in the contract and the relevant authorities of the hospital were not informed about the tender conditions. The contractor had supplied chemicals with a different product name throughout the year instead of the agreed product name without submitting a laboratory report confirming the quality with taking full advantage of this. Payments were made for chemicals supplied on the basis of agreed unit prices for chemicals of prescribed quality.

That the Ministry of Health had not notified the hospital of the prior agreements made with the contractor, That the hospital could not check the standard or quality of the chemicals, That no complaint has been made by the consultant in Microbiology or the infection control unit regarding the chemicals and that these substances have been tested periodically by the infection control unit and no problem has arisen.

-Do-

- (iii) Chemicals with the same product name were supplied in the year 2020/2021 and during a laboratory test, it was confirmed that it was a cleaning chemical that did not comply with Sri Lanka Standard 687-1985.
- (iv) Also, the contractor had agreed to provide a 60 percent discount for cleaning chemicals for the year 2021/2022 and this bidder has submitted an appeal against the tender decision stating that it is not possible to supply chemicals of the required standard with that discount on the basis of an affidavit that he supplies chemicals of the prescribed quality and that he has given this discount with the aim of supplying inferior quality and substandard cleaning chemicals and it was decided to award the tender to this bidder. It was observed that the experience of the previous year was not paid attention to either by the negligence or purposely act of the officer and the payments were made to the contractor in favor of the contractor in the year under review and as the disadvantage to the government.
- (v) As per the terms of the contract, the chemicals shall be supplied in unopened packages that certified by the Industrial Institute of Technology (ITI) as conforming to SLS standards with the material composition and quantity duly mentioned in the package, but the chemicals supplied did not comply with those requirements. Therefore, they should have been rejected, but chemicals for provided instead, Rs.369,670 was paid only for the 04 months from March to June 2021 and it was prepared to pay Rs.194,400 for the 03 months from July to September 2021. That the bid conditions or prior agreements with the bidder were not given to the hospital by the ministry, That there were no errors in the records during inspection by the infection control unit, That the consultant in Microbiology had not complained and that due to the above facts, the amount was checked and accepted.
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| (vi) | As no act estimate was prepared for this procurement, it was not ascertained how the bids were evaluated according to the special criterion that the prices offered for chemicals and equipment should be reasonable as per the market price. | That the hospital does not focus on the price as procurement, preparation and approved cost estimate etc. are done by the Ministry of Health. | -Do- |
| (vii) | Although the contractor shall submit a certified copy of the pay roll certifying the salaries actually paid to the cleaning workers before settling the monthly bills to the head of the hospital as per the terms of the contract, Rs.20.10 million were paid as salaries and overtime allowances only for 04 months from March to June 2021 without obtaining the salary documents confirming the salary that were so certified and actually paid and it was prepared to pay Rs. 15.07 million for 03 months from July to September 2021. | Agree with the observation, That pay slips of the January, February and March 2022 had been signed and handed over and that the officers have been informed not to make the relevant payments until the previous month's salary slips are submitted when paying future bills. | -Do- |
| (viii) | It was observed that the internal control system is place regarding this process was at a weak levels as the hospital had received the stock of chemicals and equipment to be supplied monthly or annually and issued them to the wards and sections informally and the stock records had not been kept up-to-date. As a result, 630 liters of cleaning chemicals such as tile cleaner, glass cleaner and HCL in 21 plastic packs and 275 kg of 11 packs of bleaching powder and dish wash could not be used due to expired or lack of expiry date as of 12 January 2022. Also, although the contractor had agreed to supply branded equipment, it was observed that none of the equipment provided by the supplier was branded equipment. Also, it was not confirmed that the agreed monthly quantities were supplied as indicated in the tender | Agree with the observation and all chemical and equipment are received yet and distributed from the main warehouse. | -Do- |

documents as the stock of cleaning equipment was out of the control of the hospital and remained in the supplier's custody.

(i) The security service for Kaluthara Teaching Hospital and its affiliated institutions was obtained from a private institution in the year 2021.

(i) Instead of entering the names and signature of the security officers who were actually employed on the night shifts, names and signatures of security officers who were not on duty on night shift on relevant dates had been entered incorrectly in the document confirming the arrival and departure of the security officers which submitted to the hospital officials. This was done throughout the contract period, but it was not under the supervision of the relevant officers. Also, a day and night placement plan had not been prepared in respect of 35 security officers and according to the contract agreement, if the security officers outside of the name list that was submitted at the beginning of security service, the head of the hospital should be informed about it, but the security officers outside of the list that was submitted to the hospital on 21 April 2021 and 31 December 2021, had been employed by the company without informing the head of the hospital. While there is a risk of liability in case of issues arising regarding the safety of the hospital due to these facts and it was also observed that there is a risk that the hospital authorities will provide legal protection for the people who were paid by the hospital with incorrect names and signatures and committed misconduct in the outside society during that time.

Agree with the observation, In addition to the documents submitted to the administration by the security service, two other documents were fraudulent maintained and according to those documents, an amount of Rs.486,330 and an amount of Rs.273,480 were collected as fines from the bills of January and February 2022 during the bill inspection That the Ministry of Health has been informed about this and that the payment of bills has been temporarily stopped from November 2021.

A formal investigation should be conducted in this regard and further action should be taken.

(ii) No security service officer in charge or security officer shall work for more than 12 consecutive hours at a time and shall not be paid for the same in terms of the contract agreement, but it was observed during the inspection of a sample of 03 months from October to December 2021 that 32 security officers were employed continuously for a period ranging from 24 hours to 180 hours beyond 12 hours. In addition, an additional amount of 486,330 was paid to the company for 377 day and night shifts in which security officers were not employed. Also, as per the agreement, a penalty equal to one day's salary should be charged for one employee who provides less, but Rs.273,480 were not charged as fines for 212 under supplied employee work shifts in the 6 months from May 2021 to October 2021.

Agree with the observation, According to documents submitted by the security service provider to the hospital, the security officers were not deployed on duty for more than 12 hours and according to the incorrectly updated documents, since they were so deployed, steps have been taken to recover the revealed amount as a fine.

(j) Most of the building maintenance services at the Kandy National Hospital were outsourced to one maintenance contractor.

(i) According to the letter of delegation of powers on financial control issued by the secretary of the ministry on 28 February 2020, emergency maintenance works should not be assigned to a single contractor, but should be assigned in the order of the list of registered contractors, but contrary to that condition, out of 295 working papers with an estimated cost of Rs.70.76 million in the year 2020 in Kandy National Hospital, 201 working papers with an estimated cost of Rs.35.88 million or 68 percent were assigned to one maintenance contractor.

Agree with the observation and that it will be carried out from the year 2021 according to the circular of the delegation of financial powers of the Ministry of Health.

That it will be carried out from the year 2021 according to the circular of the transfer of financial powers of the Ministry of Health.

(ii) According to the recommendation of the Technical Evaluation Committee and the decision of the procurement committee, only this contractor, which was selected for the residential maintenance of the wards and units of

Agree with the observation and that the building belonging to the Kandy National Hospital has been informed in writing to hand over to the hospital.

Misuse of government assets should not be allowed.

the hospital, was allowed to establish a workplace in the hospital.

- (iii) According to the letters of delegation of powers on financial control for the years 2020 and 2021, only works such as water leaks, toilet pits overflowing or collapsing, electric leaks, severely dilapidated roofs and buildings, which are introduced as emergency maintenance, should be carried out by registered contractors within the limit of Rs.300,000 , but Rs.940,569 was paid to the contractors during the year 2019 to be done in the month of January 2021 and March 2021 for the completion of 79 such non-urgent maintenance works which could have been performed by the hospital maintenance division.
- (k) De Zoysa Women's Hospital had paid Rs.2.24 million to contractors for the period from December 2019 to October 2021 for the removal and burial of dead body parts such as baby corpses, abortion parts, non-living body organs and placentas. Due to not preparing a basic cost estimate of a disposal unit, allowing the use of contractor's scale, not ensuring that the scales are calibrated up-to-date, Non-introducing a method of measuring the weight of the placenta after removing the water, allowing more weight to be applied to disposals and not verifying that these disposals are done legally, it was observed that the internal control and supervision of the hospital regarding the disposal of body parts was poor in condition. Due to that no cost estimate has been prepared for the disposal of 01 kg of placenta, 01 kg of fetal remains, 01 kg of abortion parts and 01 kg of body organs, the hospital had made payments based on unit prices submitted by contractors with unfavorable price variations ranging from 521 percent to 6371 percent per unit of material in 2021 compared to 2020 unit prices without any comparison. As a result, the expenditure of disposing of non-living body
- Agree with the observation and in a situation where the internal maintenance unit of the hospital has not been established in the months of January and March 2021, 79 essential maintenance works required to maintain patient care services were carried out by registered contractors at an expenditure of Rs.940,569, but the relevant divisions have been informed not to carry out such works from registered contractors with the establishments of the hospital internal maintenance unit in November 2021.
- As a whole, due to the inability to look into this in the face of the covid 19 epidemic situation, some weaknesses have occurred and currently remedies are being taken to overcome those weaknesses, That the procurement committee has decided to dispose of these waste parts in timber dumps and will proceed accordingly, When removing parts of the placenta containers have been removed from the mortuary, the gross amount of placenta contained in it and thus the gross weight is calculated and the amount spent for removal of one kilogram previously and the amount according to the new methods are expected to be compared, That the service contracts are expected to be signed as soon as the provisions for the service
- Work that can be performed by the hospital maintenance division should not be outsourced to contractors.
- A formal investigation should be conducted in this regard and further action should be taken.

parts in the year 2021 compared to the year 2020 had increased by 8070 percent and the expenditure of disposing of aborted parts by 696 percent. During the physical audit conducted on January 26, 2022, it was observed that due to the poor functioning of the refrigerator, which contained 550 kg containers of placentas removed from 553 deliveries in the hospital during the period from 21 December 2021 to 25 January 2022, water had accumulated in those containers. Accordingly, the average weight of a unit of placenta with water was 995 grams. Also, in 19 deliveries on 02 and 03 February 2022, the weight of the discarded placenta unit was 563 grams. According to the information obtained from the internet, it was observed that the weight range of placenta expelled during delivery range from 500 gm to 800 gm and it was observed that the weight of placenta with accumulated water due to storage in refrigerator is 01 kg. When calculated on that basis, it was observed that Rs. 1.02 million was overpaid to the contractors for 29,616 kg of placenta during the period of 01 year and 11 months from 29 November 2019 to 26 October 2021.

contracts are confirmed and that minor repairs have been carried out by the Electricity Board in the meantime, Due to the covid-19 crisis situation, and the fear of the spread of disease during the removal of child corpses and placenta parts and the lack of reporting to official duties, monitoring has been reduced in future and the removal of placenta parts, abortion parts, body parts, babies in the morgue have been made arrangements to hand over the dead bodies to a responsible officer to supervise their delivery to the relevant florist.

3.8 Assets Management

Audit Observation

Comments of the Chief Accounting Officer

Recommendation

(a) The diesel generator, which was provided and installed for the blood bank of Kaluthara Teaching Hospital in the year 2015 under the assistance of the Government of China, has been inactive since the year 2019, but the necessary action had not been taken to repair and utilize it.

Agree with the observation, No warranty or service agreement related to this inactive machine has been formally given to the hospital, Ceylon Electricity Board refused to repair the machines as it was unable to obtain information about the relevant agency or obtain the necessary spare parts.

This generator should be used or if that is not possible, some other suitable action should be taken or arranged.

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| (b) | The Kone 60 automated chemistry analyzer, which can perform about 21 types of blood tests in the pathology laboratory of Colombo National Hospital, had turned off due to an electrical leak that occurred on 13 July 2021, but the equipment remained idle for more than 08 months as it failed to be resettled till 30 April 2022. | Agree with the observation, That the machine caught fire due to a fault in the machine, That there was water leakage from the sample room to the electrical room, This machine is more than 10 years old, That the machine was used until a new machine was installed and that attention is paid to this and the automated biochemistry analyzer machine will be repaired as soon as possible. | This equipment should be repaired and used. |
| (c) | As the Metamizer machine of US\$ 701,336, Which had been given to the Kurunegala Teaching Hospital in the year 2018 by the clinical waste management project of government hospitals implemented by the ministry under foreign and local loan assistance had not been formally handed over to the hospital, it was conformed that the relevant supplier had removed the machine parts from the hospital without any written notification. It was observed that the internal control system in terms of asset protection is at a weak level due to that the parts of a machine installed in the hospital were allowed to be saved without written approval and written notification. | Disagree with the observation, The Metamizer machine was installed in the hospital premises, but all related tasks including operation and repair work were performed by the company that supplied machine, The hospital did not make any kind of payment for those tasks, there were keys related to the doors of the room with this machine was in the hand of the officer of that institution who operated the machine, That the performance of this machine was at a very poor level even when it was in operation, That it did not operate for more than a month due to constant malfunction of this machine and considering all these facts, the Ministry of Health has been notified to arrange for this type of machine to be provided to another hospital where that is a need for it in June 2020. | A formal investigation should be conducted in this regard and further action should be taken. |
| (d) | A supplier had maintained the main canteen of the Hamabnthota District General Hospital without a contract for over a year from January 2020 to February 2021 and the sum of Rs.1,608,537 of rent, water charges, electricity charges for that and late charges due to the hospital had not been recovered till 06 July 2021. | Agree with the observation and that the legal division had been directed to take further legal action to recover the relevant amount. | -Do- |

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| (e) | On call rooms and doctor's rooms were built for each division and ward during the construction of the new hospital in Hamabanthota. It was observed that out of the 24 houses that were built for medical officers' quarters, 21 houses are used as on call rooms. Accordingly, due to the use of the quarters for other purposes, a total of Rs.1,428,000 was lost from the respective houses for the 17 months from January 2020 to May 2022. | Disagree with the observation and that the allocation was made subject to the approval of the Director General of Health Services. | -Do- |
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3.9 Losses and Damages

----- Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
(a) The total losses and damages were Rs.86.24 million as at 31 December 2021 and the recovered and written off values during the year were only Rs.2.39 million and Rs.709,894 respectively. The recovery and cut off values as a percentage of the total loss were at a low level of 2.77 percent and 0.82 percent respectively during the year.	Agree with the observation, Most of the cases are old and related evidence will be discovered and further action will be taken.	These losses should be promptly recovered or duly cut off.
(b) Rs.56.15 million were incurred for the undisclosed losses and damages of 25 hospitals and institutions and out of that Rs.10.30 million have been brought forward for more than 07 years and Rs.22.46 million out of Rs.26.98 million of remaining losses and damages which have not recovered or written off have been brought forward in the financial statements for more than 05 years.	Agree with the observation, There is difficulty in getting evidence as the cases are overdue and action will be taken as per the financial regulations in future.	-Do-

3.10 Uneconomic Transactions and Events

Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
(a) Although Rs. 4,384,545 was paid to private company for the removal of 34,289 kg of clinical waste and 2,727 kg of sharps waste in Kaluthara Teaching Hospital in May 2019, it was observed that the waste was stored in 02 containers without being removed from the hospital premises during the audit conducted on 11 January 2022.	Agree with the observation, That the clinical waste carrier institution has installed its incineration system at a different location and storing it within the hospital, That the containers are securely sealed, That the container containing the clinical waste has now been removed and that payment has been suspended until the container containing the chemical is removed.	A formal investigation should be conducted in this regard and further action should be taken
(b) According to the organizational chart of the ministry, the Additional Secretary (Engineering Services) was not assigned the supervision of any department or individual and there was no going down flow of authority under the post or upward referral to the secretary of the ministry. There was no mechanism for forwarding construction – related files through the Additional Secretary (Engineering Services). Instead, the organization chart was prepared in such a way that the subject related to construction flows through the Director General of Health Services through the Additional Secretary (Control) to the Secretary of the ministry. The files related to the construction were submitted to the Deputy Director General (Supply) by the Director (Building) Administration who was a Grade III officer of the Sri Lanka Administrative Service and a Grade I officer of the Sri Lanka Engineering Service below him was appointed to the post of Director (Building) Engineer. Accordingly, a Grade I officer of the Sri Lanka Engineering Service was employed under a Grade III officer of the Sri Lanka Administrative Service, which were two parallel services.	Disagree with the observation, That the engineering division has been expanded and the Director (Building) Engineer has focused on carrying out the construction work subjects under the supervision of the Additional Secretary (Engineering), That the Deputy Director General (Planning) will take further action in this regard, The post of Director (Building) Administration, who is a Grade III post in the Sri Lanka Administrative Service and the post of Director (Building) Engineer, a Grade I post in the Sri Lanka Engineering Services are two posts with different responsibilities, scope and duty lists under the Deputy Director General (Supply.), That the Director (Building) Engineer is conducted technical inspections, prepared technical reports and documents and made technical recommendations. The Director (Building) Administration will	Salaries and allowances paid to the Additional Secretary (Engineering Services) without formal assignment of duties should be recovered from the responsible parties.

carry out the administrative matters by utilizing the recommendations, financial and administrative arrangements and all the available factors, making administrative recommendations and it is not implied that the post of Director (Building) Engineer is placed under the post of Director (Building) Administration by the performance of administrative duties by the Director (Building) Administration on the basis of delegated powers and on the technical recommendations of the Director (Building) Engineer.

- (c) According to information submitted for the audit, It was observed that out of the 62 construction projects implemented by the ministry in the year 2020 in 30 projects with an estimated cost of Rs.31,650,382,750, both the positions of contractor and consultant (Contractor and Consultant/ Engineer) were assigned to the same institution and due to that, there may be effects on the more efficient execution of a project, as well as on protecting the fairness, independence and transparency of project implementation. According to an agreement signed by the Director General of Health Services with the Central Engineering Consultancy Bureau in the year 1991, the consulting works were assigned to that bureau without inviting competitive bids until the year 2021 and out of the 62 projects implemented in the year 2020, the bureau had been assigned to provide consultancy services in 52 projects. Accordingly, the economic advantages that could be obtained through competition had been lost, It was also observed that the ministry had not implemented a permanent and formal policy on obtaining consultancy services as the State Engineering Corporation and the State Development and Design Corporation had been selected for consultancy services only in some cases.
- Disagree with the observation, That the stated projects have been assigned to the relevant institutions with formal approvals on a case-by-case basis for completion without delay, The statement of that fairness, independence and transparency cannot be satisfied in obtaining construction services from those institutions is baseless as those public institutions are subject to government audit and that the officers concerned have been instructed to look into the possibility of engaging other government institutions for further consultancy services.
- The contractor and consultant parties should be independent institutions and these institutions should be selected as that the government incur the least cost and can get the best quality service.

- (d) While the ministry has an engineering division consisting of 43 officers belonging to the construction sector including the Additional Secretary (Engineering services), civil, mechanical and electrical engineers, designers and technicians, planning and estimating and work supervision had been outsourced to external institutions such as the Central Engineering Consultancy Bureau on a fee-based basis. Attention had not paid to saving a lot of money annually by expanding the engineering division and implementing a mechanism of flow of responsibilities up to the secretary of the ministry under a formal hierarchy and delegating these tasks to the engineering division. Estimates had been prepared using the higher prices approved by the Central Engineering Consultancy Bureau while the prices approved by the Central Government Buildings Department, District Councils and District Secretariats were available.
- Disagree with the observation, Many duties are already being performed by a limited number of officers in the engineering division in relation to the various construction works of the Ministry of Health, the hospitals systems and the health institutions, the provision and installation of machinery such as air conditioners and generators in those institutions, repairs and related service contracts and the construction and repairs related to the supply of medical air, apply to various types of technical evaluation committees based on technical facts in the procurement process, Accordingly, the engineering division of the ministry does not have the capacity to provide consulting services for large-scale construction projects in the current situation. However, the focus is on expending the engineering division and assigning the responsibilities related with construction to that department.
- This division should be expanded while assigning sufficient work and responsibilities to the officers currently attached to the engineering division.
- (e) While the Hamabnthota District General Hospital has the facilities to wash and clean clothes slightly stained with blood and body fluids to the central cloth supply division of the hospital, Rs.17,823,232 had been paid to wash all the soiled clothes by an external contractor during the 06 months from August 2019 to February 2021.
- Agree with the observation and as the laundry in the hospital is an activity that cannot be carried out immediately with the opening of the new hospital, all the laundry work is currently done by this division.
- A formal investigation should be conducted in this regard and further action should be taken against the responsible parties.

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| (f) | The internal telephone system of the Hamabanthota General Hospital consisting of 600 telephones was established by a private company with a version being the number SUV-8300 and Rs.1,798,200 was paid to the supplier to upgrade to a copy number SUV/9100 due to the expiry of that copy. But since the supplier had used an upgrade version related to the model number SUV/8100, the entire amount spent for it was an uneconomical expense. | Disagree with the observation and that the system was updated by the local institute due to the inability to obtain spare parts of the old version concerned. | -Do- |
| (g) | A computerized system (PACS/RIS) was established to carry out radiological investigations at the Kandy National Hospital. | | |
| (i) | Rs.30,831,350 was fully paid to the contractor with VAT by 17 November 2020 based on the report given by the technical evaluation committee on 02 October 2019 that the computer system of Picture Archival and Communication System (PACS) with Radiology Information System (RIS) has been successfully completed. But after more than 02 years since the project was reported as completed and more than a year as the full payment was made, it was observed that this system is not being used in the hospital to achieve the desired objectives even on 30 January 2022. | Agree with the observation, The use of PACS system is reaching its atomic peak. | The system should be used in such a way that the intended objectives are fulfilled. |
| (ii) | Although one of the main objectives of the introduction of this system was to avoid the huge cost of printing the film rolls, more than Rs.77 million had been spent on radiographic film rolls printing between 02 October 2019 which was the date that Technical Evaluation Committee certified the completion of this project and 31 December 2021. Also, since the cost of this system includes the cost of storing the film rolls, instead of reducing the cost of printing, there was a cost added to that cost. | Agree with the observation, Since the main purpose of introducing the PACS system is to preserve radiology studies (Radiology Studies Achieve), it is a side effect of reducing the cost of radiology and that it has been reduced by a large amount by now. | -Do- |

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| (iii) | <p>Only the entry of the data in the patient registration documents for radiological examinations into this computer system was being done by the front office of the radiology division, but it was observed that instead of the patient's hospital registration number, the serial number of the radiology division's register was entered into the system and the same numbers were not entered correctly, as well as there was no system to confirm that the daily tests were entered into the system and the work was not done properly.</p> | <p>Agree with the observation, That instructions were given to the relevant officials to carry out the necessary coordination activities to resolve these deficiencies.</p> | <p>These documents should be maintained as all information is clearly displayed.</p> |
| (iv) | <p>There was no facility in the system to ensure that all the X-ray machines used in the hospital were linked to the computer system and 04 x-ray machines used in the cardiology unit of the hospital were not connected to the computer system. Since the storage capacity of 02 machines is not enough, it was arranged to store the test data on CD/DVD discs at an additional cost.</p> | <p>Agree with the observation, Two of the four machines in use are about 15 years old and the machine supplier institutions have been asked to connect those machines to the PACS system and that the rest of the 02 machines are connected to the X-ray PACS system obtained by the digital converter defector by the portable defector.</p> | <p>The system should be used in such a way that the intended objectives are fulfilled.</p> |
| (v) | <p>System Requirement Study (SRS) has not been conducted by both parties on this system and only a proposal for introducing the project (proposal for PACS implementation) had been prepared. Accordingly, it was observed that reporting facilities were not developed under the project to use the data stored in the system to obtain numerical information required for hospital administration and to obtain reports required for various analyses.</p> | <p>Agree with the observation and the software DCM4CHEE, which is the basis for the PACS system, is the most popular open source PACS software in the world and there is no need to do a System Requirement Study (SRS) as this has not been fully designed by the Ministry of Health or the Kandy National Hospital.</p> | <p>A system requirements study/analysis should be done before any system is installed.</p> |

- (vi) While the payment of specimen allowances to radiographers for radiological tests carried out outside normal duty hours, there was no focus on the formal development and use of facilities within this system to obtain data on the number of tests done.
- (vii) According to an agreement reached for loan amount of US Dollar 33,250,000 on 02 October 2019 between the Secretary of the ministry and a China company to start a project to set up a Picture Archival and Commutation System (PACS) with Radiology Information System (RIS) in 20 hospitals and a Tele radiology center under the ministry, a new PACS project was again planned in the Kandy National Hospital and the necessary basic work had been done to implement it by 30 January 2022. There was a possibility that the entire expenditure incurred for the currently installed PACS system will become an idle expenditure if the ministry take steps to introduce another PACS/ RIS project in a situation where the money for the PAACS system established in the hospital at that time has not been properly operational even after more than a year has passed.
- (viii) The patient registration document which was maintained to record the tests conducted by 44 different types of X-ray machines in the radiology division was an unclear and informal document and serial numbers were not formally recorded for each test. Also, the accuracy of the number of after working hours radiological tests could not be ascertained as the supervising officer did not document the tests done by the radiologists after normal duty hours.
- Agree with the observation and there is a need to create and use an HRM system to provide data related to the payment of specimen allowances.
- Agree with the observation. The project of establishing a Picture Archival and Commutation System (PACS) with Radiology Information System (RIS) in a Tele radiology center is going to be implemented by selecting 20 major hospitals under the ministry and it is expected to carry out an improvement to operate the existing PACS system at a higher level in the Kandy National Hospital and since the existing equipment and devices are also to be used here, the expenditure incurred for the existing system is not an idle expenditure.
- Agree with the observation and these deficiencies are rectified and necessary instructions are given to the Chief Radiologist to maintain the register properly.
- This requirement should be established in the system.
- An independent study should be conducted in this regard to check the need and cost effectiveness of establishing another system in addition to the existing system.
- This document should be maintained as that all information is clearly displayed.

3.11 Management Inefficiencies

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>(a) According to the Public Administration Circular No. 03/2017 dated 19 April 2017, action should be taken to keep records of officers' arrival and departure from the office by using fingerprint recording machines in all government institutions and according to the letter issued by the secretary of the treasury No. DMS/0016 dated 12 May 2017 to the secretary of the Ministry of Health, if the fingerprint machines are not activated from 01 July 2017 to confirm the arrival and departure of the health staff, they will be responsible for not paying overtime allowances according to the current salary. 213 fingerprint machines installed by the ministry at an expenditure of Rs.31.08 million for the ministry and its affiliated hospitals and institutions remained unused. In the year under review a total amount of Rs.74,310 million as Rs.41,895 million for salaries and Rs.32,415 million for overtime and holiday had been paid based on current salary contrary to the facts stated in letter sent by Secretary of the Treasury. Also, the total amount spent on overtime and holiday pay was about 77 percent of the salary cost.</p>	<p>Agree with the observation, Due to the trade union protests, it has not been possible to operate the fingerprint recording machines yet and instructions have already been given for the proper maintenance of the daily arrival and departure records under the supervision of the divisional heads.</p>	<p>The records related to the arrival and departure of the officers should be kept in accordance with the circular provisions and the necessary internal control systems should be maintained regarding the payment of additional duty allowances of the officers in accordance with it.</p>
<p>(b) A Magnetic Resonance Imaging scanner (MRI scanner) costing Rs.367 million had been installed in the Epilepsy unit of Colombo National Hospital on 09 May 2016. Approximately 5,000 patients, who are face to tests, missed the opportunity to receive the service as it was taken about a year for the machine to be installed and the first test was conducted. In addition to the daily referred patients, there is a waiting list of 639 patients by January 2022 and as the as the Uninterrupted Power Supply (UPS) equipment which costing Rs.3.7 million has been inactive for 17 months, the proper functioning of the</p>	<p>Agree with the observation, At that time, the MRI machine was installed in the Epilepsy unit, but due to the lack of sufficient hospital staff, this is not working, As it was discovered that the life of the battery of the UPS equipment of the machine has ended, the biomedical engineering service division has been informed about it and that this equipment will be reconnected as soon as possible.</p>	<p>Necessary action should be taken to utilize the equipment as soon as possible as the desired objectives are fulfilled.</p>

machine had been affected and thus the patients going for the tests and the related health staff had been in a lot of inconveniences. Due to long time inactive of the UPS equipment, it cannot be excluded from the audit opinion that the sensitive functional components of the machine may be damaged during sudden power breakdowns.

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| <p>(c) The number of retired officers and employees of the ministry and 25 hospitals and institutes under it was 897 between the periods from the year 2018 to the year 2020. As the reasons such as due to delay in submission of pension applications to the Pension Department from 01 to 54 months after retirement, pension payments targets have not been achieved, personal files of officers and employees have not been kept up-to date and non-compliance with pension circular provisions for submitting pension applications without attention and due care, application forms have been rejected and the time span from 01 to 23 months has been spent to complete and submit the pension information of the widows/ widowers and orphans of 58 officers and employees who died after working in 16 hospitals and institutions including the ministry, it was confirmed that the internal control system regarding the processing and submission of pension and widow/ widowers' pension information was in weak position.</p> | <p>Agree with the observation, Head of all hospitals and institutions have informed all officers in charge of personal files regarding the updating the personal files as he can get the converted gratuity that entitled from his institution on the date of retirement of the government officers and pay the pension without delay and all the officers in charge of personal files of the central administrative division have been given practical training.</p> <p>The existing system should be strengthened to prevent delays in this regard.</p> |
| <p>(d) Although it was planned to install a Fluoroscopy X-ray machine and a Basic X-ray machine according to the plans for the construction of X-ray rooms in Hambanthota new hospital, instead, two ceiling mounted digital X-ray machines were installed in the main radiation division and the X-ray machine proposed for the emergency division was not installed. Accordingly, the radiologists had informed the Director General of Health Services on 16 January 2020 that the hospital's radiology services could not be performed with quality and efficiency, but these deficiencies had not been completed by</p> | <p>Disagree with the observation and that the relevant officials were instructed to study this matter and take necessary action.</p> <p>An independent study should be conducted in this regard and necessary corrections should be done.</p> |

July 2021. Also, it was observed that the performance of the Philips digital diagnose C 50 type ceiling mounted digital X-ray machine received from the Enras Nonus project is lower than the Shimadzu flow mounted X-ray machine and the Fuji DR system in Hambanthota old General Hospital and due to which it was observed that not possible to perform the work of the radiology division of Hambanthota new District General Hospital efficiently.

- (e) According to the information submitted for audit by only 18 hospitals and institution as at 25 April 2022, compared to the year 2019 when the hospital services were functioning normally, in the year 2021 when the covid 19 epidemic spread all over the island, it had decreased by a significant percentage as the number of inpatients in 18 hospitals was 26percent, the number of patients receiving treatments from the outpatient division was 67 percent and the number of patients receiving treatments from various clinics was 38 percent. In this situation, if the parties responsible for the proper utilization of the hospital staff, overtime and additional service allowances may be reduced in 2021 compared to 2019, but overtime and additional service allowances had increased by 39.7 percent for medical officers, 25 percent for nursing officers and 39.6 percent for other officers.
- Disagree with the observation, That the total number of hospitals has not been analyzed here, Whether the 18 hospitals or health institutions are primary hospitals, secondary hospitals and tertiary hospitals has not been specified here separately, That the conditions and complications vary from patient to patient, the number of tests performed for each such patient may increase or decrease accordingly and that laboratory tests may be more frequent for patients admitted to intensive care units.
- An independent study should be conducted in this regard to identify the reasons for this situation and the needs should be specifically identified and overtime allowances should be approved for the staff.
- (f) According to the information submitted for the audit regarding the performance and progress of the Emergency Raid division of the ministry in 2021, out of total 1,001 investigations that include 483 investigations which were not fully completed as at 01 January 2021 and 521 investigations started in the year 2021, only 427 investigations were fully completed in the year under review. Accordingly, the number of uncompleted investigations as at the end of the year was 577 or 58 percent. Also, in 24 cases, there was a delay of 33 days to 245 days between the
- Disagree with the observation, According to the nature of the investigations carried out by the Emergency Raid division, the time taken to complete them varies due to the imposition of quarantine curfew and travelling restrictions in many cases in the year 2021, the officers being infected with covid19 virus and being sent to quarantine, it was not possible
- Investigations referred to the emergency raid division should be completed promptly and necessary action should be taken.

date of the complaint regarding the investigations and the date when the officers were appointed for the investigations.

to complete the tests as planned and the investigations after receiving information and the officers will be appointed after conducting a study on that, which will also take time.

(g) The information requested for auditing the use of land and buildings owned by the ministry and 60 hospitals and other health institutions under it was not submitted from 25 other hospitals and institutions including the ministry as at the date of this report. The following observations are made using the information submitted by 35 hospitals and other health institutions.

(i) Out of the 35 hospitals and other health institutions that had submitted information, no formal deeds had been prepared for the land owned by 02 hospitals and government approved survey plans were not prepared for the lands owned by 03 hospitals. Also, the values of land and buildings owned by 19 hospitals had not been assessed and accounted.

Agree with the observation and that the related hospitals Directors are working together with the survey department and the valuation department.

Arrangements should be made to obtain the necessary documents regarding all the lands under the ministry and assess and account.

(ii) Residing illegally as about 168 families on land belonging to Kandy National Hospital, 36 families on land belonging to Rathnapura Teaching Hospital, 40 families on land belonging to Mulleria Colombo East Base Hospital, 04 families on 0.1764 hectare land plots belonging to Galle Karapitiya Teaching Hospital, 12 people in 0.4401 hectare land plots belonging to Nuwara Eliya District General Hospital and one person in 05 perches of unassessed land owned by Gampola Base Hospital, but the responsible parties had not taken formal and adequate steps to evict the unauthorized occupants and get back the land plots.

Agree with the observation, According to Government Land (Repossession) Act, the proper authority to evict the unauthorized occupants from the land located in the hospital premises and settle the enjoyment of the land is the relevant Divisional Secretary and that the relevant hospital director and other related government institutions are working together to settle the matter.

All the lands under the ministry should work together with the responsible institutions to evict the unauthorized occupants and protect the property.

- (iii) Although the value was not assessed for the administrative building of 225 square feet belonging to Kegalle General Hospital had been given to Bank of Ceylon for a monthly rent of Rs.8,500 since the year 2007, out of the land Nadenits waththa worth Rs.20,000,000, a portion of about 40 perches had been given to Ceylon Electricity Board for over 50 years and about 40 perches of the land belonging to the Galle Karapitiya Teaching Hospital had been given to the Karapitiya Peoples' Bank since 10 April 1996, but those hospitals did not have written agreements or assignment letters related to it.
- Disagree with the observation, As the rent to be charged for the Bank of Ceylon branch operated in the administrative building of this hospital has been estimated by the Government Valuation Department to be Rs.8,500, the said rent will be charged from January 2020, The Ceylon Electricity Board's sub-office is located in the hospital premises, but since the hospital does not have the documents related to the transfer of that land portion, it has been informed to the Ceylon Electricity Board to obtain those documents.
- Arrangements should be made to enter into formal agreements related to these lands and buildings and to collect rent as required.
- (iv) Hanthana Sisila building on a land owned by the Kandy National Hospital, Sinha Samaja, Hekiththa Chiristhiraja Vidyalaya, Ranviru Sampath Kendaraya, Hindu Kovil, Gangathilaka Vihraya, Navy Police unit were established by the Police Department in the land owned by the Kandy National Hospital, but there was no action taken to settle or hand over those lands.
- Agree with the observation, It was informed to the all Directors of the hospitals and heads of the health institutions that if the land enjoyed by hospital or health institutions have not been formally acquired, the relevant divisional secretaries should be settled their rights and if there are unauthorized occupants to take back possession from them or the divisional secretaries should be asked to take appropriate action.
- These lands should be taken over or formally handed over.
- (d) 05 Air conditioned luxury buses with 54 seats had been purchased for 05 nursing schools in April 2018 at a cost of Rs.10.6 million each, exceeding the financial limit of Rs.40 million approved by the National Budget Department. These buses, which had been purchased without a feasibility study, were parked underutilized due to the difficulty of driving in

the roads of the provinces where the nursing colleges are located, the inability to enter some nursing college premises and various technical errors. The following observations are made regarding the status of the use of these buses as at 31 December 2021.

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| (i) | The total distance covered by 05 buses was only 94,260 km and the average distance covered by a bus in a month was only 428 km during the period of 44 months from April 2018 to 31 December 2021. Also, it was confirmed according to the daily running charts that only 1.2 km to 3 km was driven per liter of fuel. | Agree with the observation and that orders have been given to the Senior Assistant Secretary (Emergency Raids) on 21 June 2022 to conduct and inquiry in this regard. | A formal investigation should be conducted in this regard and further action should be taken. |
| (ii) | The bus given to College of Nursing in Galle was not driven after 16 December 2020 due to a fault in the vacuum system and Rs.538, 425 without value added tax had been spent for repairs including that defect but the bus was not in running condition even on 31 January 2022. | Agree with the observation, This air conditioning system and vacuum system of this bus were malfunctioning and other repairs that needed to be done were done by the local agency of Lanka Ashok Leyland, but after that, due to the appearance of defects in the air conditioning system and vacuum system and due to not painting properly, the agency repaired is once again, Due to this, that bus did not run for almost a year, Due to a faulty condition in the clutch system of this bus on 30 March 2022, it has once again been temporarily out of the service and for this, an estimate will be taken and further action will be done. | -Do- |
| (iii) | The bus given to post-primary nursing college was last run on 08 September 2020 and the reasons for not running after that were not submitted for audit. | Agree with the observation, This bus was temporarily taken to the ministry's transport division for special duties due to covid 19 and that the said duties was completed and have been returned now. | -Do- |

- (iv) Although the Director of the Kaluthara National Institute of Health had informed the ministry on 30 December 2020 that the bus given to the institute would not run for over a year due to technical faults, no steps have been taken to repair the bus even by June 2022. Due to this, 02 batteries of the bus were inactive. Agree with the observation and as the bus has to be put into operation, the technical officers have been instructed to give recommendations for getting repair from agency or other approved institutions. -Do-

3.12 Biomedical Engineering Services Division

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>(When referring officers to complete the service requirements received by the Biomedical Engineering Services Division, there was no system introduced to prepare and approve an movement programme including the number of trained staff required for those tasks, the types and quantities of spare parts required, the number of days allocated and allowances and other payments and approved by an authorized officer. Also, there was no system to confirm that the moving officers whether reported to the respective workplace and the time spent. Rs.1,279,813 had been paid as travelling expenses for the travelling done by the officers of that division without such system.</p>	<p>Disagree with the observation, There are two main types of repairs as preventive maintenance, corrective maintenance and that due to the insufficient staff in the institution compared to the number of medical equipment to be maintained, Only corrective maintenance is carried out by the Biomedical Engineering Services Division, The medical officers who are in charge of that equipment were signed and certified that the reported to the relevant hospital and that a movement register is maintained as a method of verifying that the officers who are moved and reported to the respective workplace and the time spent.</p>	<p>When referring the officers to complete the service requirements, a movement programme should be prepared and approved by an authorized officer, including the number of trained staff required for those tasks, the types and quantities of spare parts required, the number of days allocated and allowances and other payments.</p>
<p>(Aggregate requirement of high value medical equipment for all government hospitals and institutions was estimated and prioritized lists</p>	<p>Disagree with the observation, That the biomedical engineering services division procure</p>	<p>The overall requirement of medical equipment for government hospitals and</p>

were prepared according to the allocations received and procurement had not been done to obtain benefits such as discounts and cost reductions. Instead, allocations were distributed to respective hospitals and opportunity had been provided to purchase medical equipment through regional procurement committees. Out of Rs.4,880 million provided by the ministry to the biomedical engineering services division during the year under review, 766 million or 16 percent of the provisions was distributed to the hospitals by the biomedical engineering services division without any authority.

medical equipment at a higher price and quantity, When the medical equipment within the hospital procurement limit and the hospitals have requested only a small amount and when there are urgent needs, the provisions will be provided to the hospitals for purchasing by hospitals and that the engineers of the biomedical engineering services division will participate in those technical assessment committees.

institutions should be estimated and prioritized lists should be prepared according to the allocations received and action should be made to obtain benefits such as discounts and cost reductions through procurement at once.

(4,400 items of medical equipment belonging to
c 19 types had been purchased at a cost of
) Rs.2,328 million by awarding 19 contracts to suppliers selected following shopping method by utilizing the provisions made to Division of Bio Medical Engineering services to purchase equipment for COVID 19 treatment centers under the additional financing of the health system enhancement project, by publishing advertisements through the internet, inviting bids only from registered suppliers who have ex-stock. The following observations are made in this regard.

(i) Bids had been submitted with the false information such as availability of stock on hand or a delivery schedule and it could be supplied accordingly and goods had been supplied with significant delays in the procurements of purchase 50 Defibrillators, 35 portable X-ray machines, 135 suction apparatus, 325 high flow nasal oxygen machines, 10 ventilator (Neonatal) by inviting bids only from registered suppliers who have ex-stock for the emergency requirement and following the shopping method.

Disagree with the observation, Although information about the amount of stock available (Ex-stock) was given at the time of bids, as mentioned above, there were delays in taking procurement decisions in view of the delays caused by the practical problems in holding the Technical Evaluation Committees and Procurement Committees and due to the high demand during this period, private donors were taken steps to get these stocks and include them in the health system, So when we required, there was a lack of available stocks.

Action should be taken against suppliers who have provided false information.

- (ii) Among the bidders who submitted bids for the supply of 35 portable X-ray machines, only a contract of 20 machines was awarded to the bidder who was qualified and submitted the fourth lowest bid and a contract of 15 machines was awarded to the eighth lowest bidder. The supplier who was awarded the contract to supply 15 machines had agreed to supply 05 machines immediately after the order and 10 machines within 02 weeks, but after a delay of 70 days, the machines had been supplied. Due to that supplier was selected based on such false information and the contract of 35 machines was not awarded to the lowest qualified bidder who was awarded the contract of 20 machines, the loss was Rs.37,780,285. A fine of Rs.4,385,787 had been charged from the supplier who had delayed the supply of equipment by submitting incorrect information.
- Disagree with the observation, As mentioned in the audit, it has been done according to the method of deducting fines and although the bidder who was awarded the contract for the purchase of 15 machines has the ability to supply the goods within the stipulated time, the goods have been received by the division with a delay due to the lack of storage facilities in the biomedical engineering division and due to that the selection of bidders has not been made on the basis of incorrect information as mentioned by the audit.
- Total loss should be recovered from the supplier who submitted incorrect information.
- (iii) The bidder selected for the procurement of 1,110 Nebulizers had not submitted the prices for accessories and spare parts as per standard specifications No. 06 and 07. The bids were evaluated and the procurement was awarded considering that bid as the responsive bid of noting that the prices had been submitted in a letter. But the Technical Evaluation Committee held on 02 July 2021 recommended this bidder as the responsive bidder on the basis of the letter with prices submitted by the bidder dated 22 July 2021.
- Disagree with the observation and as the selected bidder for Nebulizer 1110 procured under emergency purchase condition did not provide the accessories and spare parts details after ensuring that the information are provided by telephone from the procurement entity, that was communicated to the Technical Evaluation Committee by telephone for verification and that a letter dated 15 July 2021 has been received from the supplier.
- Attention should be taken to maintain transparency in the procurement process.

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| (iv) | <p>Although the pulse rate should be within the range of 20-240 bpm as per standard specification No. 02(b) relation to the procurement of 960 pulse oximeters, a bidder selected to supply 200 equipment had pulse rate in the range of 30-250 bpm. Also, according to the standard specification No. 03(a), Display: An LCD screen should exit, but the equipment provided by the bidder who was selected to provide 560 equipment was equipped with an LED screen.</p> | <p>Disagree with the observation, According to the standards specifications of No OR(b), the pulse rate should be 20-240 bpm, A normal person should have a pulse rate between 60-180, but when it falls below 30 bpm, without taking the measurements of the patient's pulse oximeter and that should be referred for other higher treatment and since there is no difference between LCD and LED, the selection of LED is made.</p> | <p>The specifications should be accurately prepared and every bidder should be given equal opportunities to submit bids.</p> |
| (v) | <p>There were 02 major deviations between the standard specifications for the ICU ventilators and the specifications of the equipment provided by the qualified suppliers in the procurement related to the purchase of 75 ICU ventilators.</p> | <p>Disagree with the observation and the Technical Evaluation Committee has given recommendations regarding these two deviations as minor deviations which do not interface with the clinical performance of the machines.</p> | <p>An inquiry should be conducted in this regard and action taken against the responsible parties.</p> |
| (vi) | <p>Although in according to the specification No. 05 (b) of the purchase procurement of 325 high flow oxygen therapy machines, it shall be high flow oxygen therapy machines with in build air/ oxygen mixer, the 125 high flow oxygen therapy machines had been supplied by the supplier who awarded the contract for the supply of 125 high flow oxygen therapy machines considering availability of stocks were machines with as air/oxygen mixer without in-built.</p> | <p>Disagree with the observation and there were two bidders for the procurement, which was carried out in accordance with the code of procurement guidelines 2 of the Ministry of Finance, Economy and Policy Development and among those bidders, 125 machines were obtained from one supplier and according to the Technical Evaluation Committee report, although there is no in-built air oxygen mixture for that machine, the bids for the 125 machines were accepted by the COVID Emergency Procurement Committee (CEPC) after considering the following points and the person has been selected.</p> | <p>An inquiry should be conducted in this regard and action taken against the responsible parties.</p> |

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| | <ul style="list-style-type: none"> I. Being the only bidder who obtained NMRA certification. II. Being the only high flow nasal model available in the hospital at that time. III. Existence of ex-stock | | |
| (vii) | <p>There were 08 major deviations between the standard specifications of the procurement related to the purchase of 100 Multipara meter (ICU) machines and the specifications of the supplied machines.</p> | <p>Disagree with the observation and since the model selected for this procurement is a model currently widely used in government hospitals as well as a model recommended by doctors, the points mentioned in this paragraph have been given recommendations by the Technical Evaluation Committee as minor deviations.</p> | <p>An inquiry should be conducted in this regard and action taken against the responsible parties.</p> |
| (viii) | <p>A new member was appointed on 23 June 2021 in place of the technical evaluation committee member who was appointed at the beginning of the procurement of 20 dialysis machines. But before the appointment to that member, he had participated to the technical evaluation committee on 21 June 2021 and it had signed the related committee report on that day.</p> | <p>Disagree with the observation, As the said procurements have been made under the COVID emergency procurement, such omissions have occurred in these procurements and however instructions have been given to the relevant officers to ensure that such deficiencies do not occur in future.</p> | <p>Attention should be taken to maintain transparency in the procurement process.</p> |