

Head 138 – Report of the Auditor General on the Ministry of Indigenous Medicine and the Department under the Ministry - 2013

This report consists of two parts.

- Part 1 – Summarized report on accounts of the Ministry and the Department under the Ministry
 Part 2 – Detailed report relevant to each head.

Part 1

Summarized report on accounts of the Ministry and the Department under the Ministry.

1. Department under the Ministry

Head	Department
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220	Department of Ayurveda

2. Accounts

2.1 Appropriation Accounts

Total Provision and Expenditure

The total net provision made for the Ministry and the Department thereunder amounted to Rs.1,770,400,000. Of this, a sum of Rs.1,068,844,373 had been utilized as at the end of the year under review. Accordingly, the savings of the Ministry and the Department out of the net provision had been Rs.166,407,763 and Rs.535,147,864 or 35 and 41 per cent of the net provision respectively. Details are shown below.

Head	As at 31 December 2013			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
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	Rs.	Rs.	Rs.	
138	473,930,000	307,522,237	166,407,763	35
220	1,296,470,000	761,322,136	535,147,864	41
Total	1,770,400,000	1,068,844,373	701,555,627	40
	=====	=====	=====	

2.2 Advance Accounts

2.2.1 Advances to Public Officers' Accounts

Limits Authorized by the Parliament

Limits authorized by the Parliament on the Ministry and the Department thereunder relating to Advances to Public Officers Accounts and actual values are shown below.

Item No.	Expenditure		Receipts		Debit Balance	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
13801	11,000,000	7,978,083	4,000,000	6,346,532	36,000,000	21,117,515
22001	32,000,000	25,148,297	21,000,000	27,637,920	172,000,000	77,242,210

2.3 General Deposits Account

The balances of Deposits Account of the Ministry and the Department thereunder as at 31 December 2013 aggregated Rs.13,723,680. Details are shown below.

Ministry/ Department	Deposit Account No	Balance as at 31 December 2013
		Rs.
Ministry of Indigenous Medicine	6000/0000/00/0015/0050/000	280,363
Department of Ayurveda	6000/0000/00/0015/0101/000	13,443,317
Total		13,723,680

Part 2

Detailed report relating to each Head

1. Head 138 - Ministry of Indigenous Medicine

1.1 Scope of Audit

The audit of the Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Ministry of Indigenous Medicine for the year ended 31 December 2013 was carried out in pursuance of provisions in Article 154 (1) of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Secretary to the Ministry on 22 September 2014. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

1.2 Responsibility of the Chief Accounting Officer for the Accounts and Reconciliation statements

The Chief Accounting Officer is responsible for the maintenance, preparation and fair presentation of the Appropriation Account and the Reconciliation Statements in accordance with the provisions of Articles 148,149,150 and 152 of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Financial and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliations Statements that are free from material misstatements whether due to fraud or error.

1.3 Audit Observation

According to the Financial Records and books for the year ended 31 December 2013, it was observed that except for the effects of the general observations appearing at (a) to (d) and major audit findings appearing in paragraphs 1.4 to 1.13 herein, The Appropriation Account and the reconciliation statements of the Ministry of Indigenous Medicine had been prepared satisfactorily.

(a) Non-maintenance of Registers and Books

The Ministry had not maintained the following registers.

Type of Register -----	Relevant Regulation -----
(i) Register of Fixed Assets	Treasury Circular No. 842 dated 19 December 1978.
(ii) Register of Losses and Damages	Financial Regulation 110

(b) Budgetary Variance

The following observations are made.

- (i) The entire net provision of Rs.4,000,000 made under 2 expenditure Items had not been spent.
- (ii) There were 12 instances of savings exceeding 40 per cent of the allocation for recurrent expenditure amounting to Rs.26,337,057.
- (iii) There were 09 instances of savings exceeding 40 per cent of the allocation for capital expenditure amounting to Rs.59,619,473.

(c) General Deposits Account

While the balance in the General Deposits Account as at 31 December 2013 was Rs.280,363, action had not been taken in terms of Financial Regulation 571 with regard to the sum of Rs.10,000 deposited on 25 October 2011.

(d) Advances to Public Officers Account

The following observations are made.

- (i) The total of recoveries in arrears according to the Reconciliation statement relating to Advances to Public Officers' Account - Item No.13801 amounted to Rs.21,117,515. The follow up action for recovery of balances in arrears amounting to Rs.12,000 was weak .
- (ii) The loan file relating to a loan balance of Rs.288,618 due from an officer who had left on transfer on 15 June 2005 had not been furnished to audit. The Ministry had not taken action even up to 10 July 2014 to recover the loan balance from the Ministry where he had assumed duties.
- (iii) Distress loans totalling Rs.5,867,744 had been paid to 61 officers. The Ministry had not taken action regarding those loan balances in terms of Section 4:3:2 of Chapter XXIV of the Establishments Code.
- (iv) The Ministry had not maintained a register of loans indicating details relating to debtors and guarantors in making payments of distress loans.

1.4 Good Governance and Accountability

1.4.1 Internal Audit

While an internal auditor had not been appointed to the Ministry during the years 2012 and 2013 an internal audit unit had not functioned.

1.4.2 Operation of Audit and Management Committee

Three meetings of the Audit and Management Committee had been held during the year under review.

1.5 Assets Management

(a) Idle and Underutilized assets

It was observed at audit sample checks that certain assets had been lying idle or under utilized as analyzed below.

Type of Asset	No. of Units	Idle or Underutilized Period
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Buildings		

Building constructed for the kitchen of the Homeopathy Hospital	01	02 Years
Building given for Mahinda Rajapaksa Homeopathy Medical College	01	04 years

While 02 refrigerators (Hitachi) used for the kitchen 02 ovens with 03 hearths, a large gas oven ,02 gas cylinders (large), a rice cooker, an electric coconut scraper and 33 other kitchen items were lying idle, for 3 years, food needed for patient had been purchased from outside suppliers.

(b) Conducting Annual Board of Survey

The annual board of survey for the year 2013 had not been carried out and reports had not been forwarded to the Auditor General up to November 2014 in terms of Public Finance Circular No. 441 dated 09 December 2009 as amended by letter No. PF/Board of Survey/01 dated 17 December 2010 issued by the Director General Public Finance. Board of survey report for the year 2012 had been forwarded in November 2014.

(c) Assets given to outside parties

A lorry belonging to the Ministry had been released to the Sri Lanka Ayurveda Drugs Corporation.

(d) Improper use of assets belonging to other Institutions

The van obtained from the Department of Ayurveda on 25 May 2010 for the Indigenous Medicine Ministry's use, had not been handed over back to the Department of Ayurveda even by the year 2014.

(e) Unsettled Liabilities

After utilization of the provision made under an Expenditure Item, there had been savings amounting to Rs.150,711. However, liabilities had been committed for Rs.209,260 in excess of the savings in a sum of Rs.58,549, contrary to Financial Regulation 94(1).

1.6 Non-compliance

Fuel consumption of pool vehicles owned by the Ministry had not been tested once in 06 months regularly in terms of Public Administration Circular No. 41/90 dated 10 October 1990.

1.7 Weaknesses in the implementation of Projects

The following observations were made at audit sample checks carried with regard to the construction of the new building commenced in the year 2003 located in the Welisara Homeopathy Hospital land in extent of about 05 acres.

- (a) Homeopathy Hospital commenced in the year 2003 is located in a land of about 05 acres in extent and the land had not been vested with the Ministry even up to 31 December 2013. According to the decision No. 02 dated 23 July 2012 of the Procurement Committee of the Ministry, construction of the new building had been entrusted to the Buildings Department for a sum of Rs.79 million. In terms of the agreement, calling for quotations for this contract has to be done by the Buildings Department. However, the contract had been given to the State Engineering Corporation without calling for open quotations and without obtaining the approval of the Procurement Committee of the Ministry.
- (b) According to the letter dated 19 March 2014 of the Medical Officer in charge of the hospital. The first stage of the building construction was expected to be completed by 03 January 2014. Although that period had been exceeded by 06 months in August 2014, it had not been possible to complete the work.

- (c) The assistance of the Departmental Engineer had not been obtained for this construction work.
- (d) According to the letter No. 03/02/06 dated 20 March 2014 of the Accountant, Ministry of Indigenous Medicine, provision amounting to Rs.26,350,000 had been made during the years 2012 and 2013 and out of that a sum of Rs.25,088,077 had been spent by the Buildings Department. While the extent of progress of the work completed had not been reported, physical progress had not been compared with the total expenditure.
- (e) According to the letter dated 20 March 2014 referred to above, it has been proposed to obtain a work done report from Chief Engineer of the Buildings Department. However, such report had not been obtained up to 28 April 2014, the date of audit.
- (f) According to the agreement, the supervision and control of the worksite should be performed by the Buildings Department and the Ministry of Indigenous Medicine (Client) and Engineering Corporation (Contractor) should be summoned to review the monthly progress. However, there was no evidence of such review in the file.
- (g) Construction work of this building complex was due to be completed by 31 December 2014 in terms of the agreement. As such present progress of the works had not been reported to audit.

1.8 Performance

(a) Main Functions Adequately not Performed

Main functions had not been adequately performed by the Ministry. Few such instances observed are shown below.

- (i) According to the Action Plan of the year under review, implementation of projects of the selected Conservation committees under strengthening of Ayurvedic Conservation Committees should be completed by December 2013. However, proposed projects received had not been evaluated at least by 26 January 2014.
- (ii) The work of the Nutrition House in progress in the hospital ground where the Ministry is located had not been completed even by November 2014.
- (iii) Although it had been planned to conduct 12 Nutrition programmes during the year under review, only 02 programmes had been conducted in Colombo and Badulla area.

(b) Maintenance of Herbal Gardens

Maintenance and promotion of herbal gardens is a function of the Ministry. Two herbal gardens under the Ministry (Wedagama Herbal Garden 44 acres), Medirigiriya Herbal Garden 25 acres) and five herbal gardens under the Department of Ayurveda (Neelabemma 25 acres, Medawachchi, Dangolla 50 acres, Padaviya 25 acres, Hivalkandura 100 acres Peella, Ambanpola 69 acres) had been covered with wild plants and maintenance had not been done.

(c) Programme for providing Mobile Marketing Vehicles

Eleven Mobile Marketing Vehicles had been provided to various individuals with or without agreements with the objective of promoting local foods by the Ministry incurring an expenditure of Rs.391,105. The following observations were made at the audit examination carried out in this connection.

- (i) Evidence to show that follow up action had been taken to determine the individuals who had obtained the mobile marketing vehicles had acted in accordance with the food promotion programmer.
- (ii) In compliance with 05 conditions in the agreement for providing mobile marketing vehicles, Rs.500 had to be monthly credited to the Indigenous Medical Development Fund out of the income earned from the mobile marketing vehicles. However, individuals who obtained the mobile marketing vehicles had not taken such action even by end of the year under review.

(d) Programme of Nutrition Houses

Although 05 Nutrition Houses had been set up by spending a sum of Rs.1,842,605 during the period 2007 to 2012 with the objective of publishing local foods to foster the public nutrition, follow-up action had not been take to ensure whether objective of those constructions are achieved, present position and performance.

The construction work of the Nutrition House and the Ayurveda Dispensary in the island of Nainathive commenced with a target of completing it during the period 10 September 2012 to 05 June 2013 at a cost of Rs.3,449,546 had been handed over on 10 June 2013 after completion. However, the Ministry had not followed up and looked into its present position.

(e) "Hela Vetha Housing Programme"

This Project had been commenced with a view to provide in house treatment facilities

identified as a main problem faced by the Traditional Ayurvedic Doctors under the Cabinet Paper No. C/05/1301/022/022 dated 22 September 2005. 42 "Hela Vetha" Homes had been constructed under this and a sum of Rs.40,933,388 had been spent on 40 homes so constructed. One Vethe Home had been constructed out of Defense Ministry's expenditure while a Hela Vetha Home had been constructed under the "Deyata Kirula" Programme, the estimated expenditure of which was Rs.813,325. The following observations are made in this connection.

- (i) The progress regarding Hela Vetha Homes had been called for, by the Ministry through the Provincial Commissioners of Ayurveda during August 2013. Out of 32 Hela Vetha Homes, information relating to progress of 16 Hela Vetha Homes constructed at a cost of Rs.17,365,044 had not been received.
- (ii) Information relating to 09 Hela Vetha Homes constructed at a total cost of Rs.10,276,337 had not been call for.
- (iii) It was observed that 02 Hela Vetha Homes constructed at a cost of Rs.1,814,946 were not in operation by end of the year under review. The present position relating to this project constructed by the Ministry out of public funds was queried through a letter and the Ministry did not adequately intervene regarding the Hela Vethe Homes which had not responded to the query.

(f) Planning

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Non-compliance of the Annual Action plan with the Corporate Plan
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Activities relating to construction of hostel complex in the Homeopathy Hospital land and renovation of administrative building of the Homeopathy Medical Council were not included in the corporate plan of the Ministry prepared for period 2012 - 2016. Those activities had been included in the Action plan for the year 2013 and those works had been physically performed.

1.9 Lapses in the Operation of Bank accounts

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Balances to be adjusted
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According to the analysis of adjustments shown in the bank reconciliation statements prepared by the Ministry for the month of December 2013, action in terms of Financial Regulation 396(d) had not been taken by the Ministry with regard to unrepresented cheques and lapsed cheques valued at Rs.13,666.

1.10 Transactions of a Contentious Nature

Certain transactions made by the Ministry were of contentious nature. Details relating to few such transactions observed at sample tests are given below.

- (a) A stock of 7,981 packets of Lactose valued at Rs.1,436,341 had not been used even by 05 March 2014, as per instructions given in the letter dated 20 November 2013 addressed to the Senior Assistant Secretary to the Ministry of Indigenous Medicine by the Director of Industrial Technology Institute. Although this stock of lactose had been removed on 05 March 2014 after the audit test check, officers responsible for the loss had not been determined after inquiry in terms of Financial Regulation 102.
- (b) While 927 bottles of medicine received at the hospital from the Homeopathy Medical Council during May 2012 had not been used, it had not been looked into whether this large stock of medicines received unnecessarily could be used.
- (c) 367 Bottles of medicines the date of expiry of which had been marked as November 2012 continued to be used ever by 05 March 2014, the date of audit.

1.11 Irregular Transactions

Certain transactions entered into by the Ministry were not regular. Certain such transactions observed are shown below.

- (a) Although it is required to plan and prepare an estimate before commencement of a particular job, such action had not been taken with regard to advances paid amounting to Rs.1,335,945 in 90 instances during the period 01 January to 20 November 2013 by the Ministry.
- (b) When granting advances an estimate has to be prepared by a responsible officer and payment should be made after approval. However, without taking such action, estimate had been prepared by the officer applying for advance himself. Payments amounting to Rs.185,000 had been made in 10 instances by the Ministry based on such estimates.

1.12 Losses and Damages

Observations regarding losses and damages revealed at audit sample checks are shown below.

(a) Collapse of a part of the wall of the Homeopathy Hospital

The parapet wall of the Homeopathy Hospital had been renovated by the Buildings Department during the year 2010. On 26 May 2013 it had collapsed and fallen on an electrical post belonging to an electricity company. The following observations were made at audit sample checks carried out in this connection.

- (i) When a loss or damage is occurred, inquiries should commence immediately to find out the extent, actual reasons and to determine the parties responsible in terms of Financial Regulation 104 (1). However, the Ministry had appointed the

panel of inquiry after a delay of one month, on 03 July 2013.

- (ii) If it is expected that there would be a delay of more than 7 days , a preliminary report should be submitted immediately, in terms of Financial Regulation 104(3). However, 3 1/2 months' time had been taken to submit the preliminary report after occurring the loss.
- (iii) A copy of the preliminary report relevant to this loss had not been sent to the Auditor General.
- (iv) According to the full report submitted in terms of Financial Regulation 104(4), it had been decided that the Buildings Department should take full responsibility for this loss. However, by the letter No. 02/05/18 dated 21 October 2013 issued by the Additional Secretary to the Ministry of Indigenous Medicine (Development) to the Medical Officer in charge had been informed to obtain reports indicating that the Building Department has been exempted from the loss occurred due to collapse of the wall, in order to entrust the construction of the new wall of the Homeopathy Hospital.
- (v) Vide Letter Preliminary Inquiries 08 dated 7 November 2013 of the Secretary to the Ministry of Indigenous Medicine, a panel of inquiry had been appointed again by the Ministry. Preliminary Report in terms of Financial Regulation 104(3) had not been submitted by that committee too.
- (vi) According to the new report too, submitted by the new committee vide letter P.I. 1/2014 dated 21 April 2014; it had been informed that the Buildings Department is responsible for collapse of the wall. It was observed in audit that in addition to the loss of Rs.67,200 occurred to the electrical post of the electrical company, payments made to the Buildings Department for reconstruction of the damaged part of the wall should also be included in the loss.

(b) Damages to Vehicles

A vehicle obtained from the Department of Ayurveda by the Ministry had met with an accident during the year 2013. It had not been reported to audit in terms of Financial Regulation 104. Any information relating to repairs or insurance claims had not been furnished to audit.

1.13 Human Resources Management

Approved Cadre and the Actual Cadre

The position of cadre as at 31 December 2013 was as follows.

Category of Employee	Approved Cadre	Actual Cadre	Number of Vacancies
(i) Senior Level	13	08	05
(ii) Tertiary Level	02	01	01
(iii) Secondary Level	378	85	293
(iv) Preliminary Level	36	35	01
Total	429	129	300

The following observations are made.

- (i) The Ministry had not taken action to fill 300 vacancies as at the end of the year under review.
- (ii) The officers of the Welisara Homeopathy Hospital and the Anuradhapura Community Health Services had not been included in the cadre of the Ministry.

2. Head 220 - Department of Ayurveda

2.1 Scope of Audit

The audit of the Appropriation Account including the financial records, reconciliation statements, books, registers and other records of the Department of Ayurveda for the year ended 31 December 2013 was carried out in pursuance of provisions of Article 154 (1) of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Head of Department on 22 September 2014. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

2.2 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Accounts and Reconciliation statements

The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Accounts and the Reconciliation Statements in accordance with the provisions of Articles 148,149,150 and 152 of the Democratic

Socialist Republic of Sri Lanka, other statutory provisions and Public Financial and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliations Statements that are free from material misstatements whether due to fraud or error.

2.3 Audit Observation

According to the Financial Records and books for the year ended 31 December 2013, it was observed that except for the effects of the general observations appearing at (a) to (d) and major audit findings appearing in paragraphs 2.4 to 2.15 herein, the Appropriation Account and the reconciliation statements of the Department of Ayurveda had been prepared satisfactorily.

(a) Non maintenance of Registers and Books

The Department had not maintained a Register of Fixed Assets in terms of Treasury Circular No. 842 dated 19 December 1978.

(b) Budgetary Variance

The following observations are made.

- (i) The entire net provision of Rs.19,003,000 made under 16 Expenditure Items had not been spent.
- (ii) Due to excessive provision made under 45 Items of Expenditure, the balances left after utilization of provision was in a range of 41 to 99 per cent of the relevant net provision.

(c) General Deposits Account

The balance of the General Deposit Account as at 31 December 2013 was Rs.13,443,317. Of these, 19 deposits amounting to Rs.477,334 remained unsettled for more than 02 years and action had not been taken in terms of Financial Regulation 571 with regard to those deposits.

(d) Advances to Public Officers' Account

The following observations are made.

- (i) While the total of recoveries in arrears according to the Reconciliation Statement as at 31 December 2013 relating to Advances to Public Officers' Account - Item No.22001 amounted to Rs.5,445,347, follow up action for recovery of balances in arrears was weak.

- (ii) There was difference between the Summary of classification of Individual Balances and the Control Account balance at the end of the year amounting to Rs.24, 430 and reasons thereon not been identified.
- (iii) There was a difference of Rs.16,028 between schedule of creditors of the Advance Account and the register maintained for creditors relating to the loan balance of one officer.
- (iv) A balance amounting to Rs.212,556 not included in the Advance Account, but recorded in the abatements register of December 2013 was observed.
- (v) Festival Advance balance amounting to Rs.1,000 due from a medical officer had been recorded in two places of the Advance account.
- (vi) According to the summary of classification of individual balances, the loan balances due from officers of the Department as at 31 December 2013 amounted to Rs.78,245,462. The following observations were made in the examination carried out in this regard.
- Although loans amounting to Rs.223,555 was outstanding by 31 December 2012 from 10 community health officers who went on transfer to southern, eastern, north central, western and north-west provinces, a loan balance of Rs.14,500 only had been recovered and the balance amounting to Rs.209,055 had not been recovered. Age analysis s of these balances could not be obtained in audit due to non-maintenance of registers.
 - Festival Advance balances of Rs.5,000 outstanding over a number of years from 05 officers recruited on casual and contract basis had not been settled during the year under review too.
- (vii) Particulars relating to loan balances due from officers who came on transfer had not been submitted in the specified format. Although it had been stated in the Reconciliation Statement that a sum of Rs.7,179,080 was due from 43 officers, date of arrival on transfer, post of the officer etc. had not been mentioned.
- (viii) Loan balances amounting to Rs.1,428,032 due from 04 officers who came on transfer from other institutions had not been settled over a number of years.
- (ix) Although property loans of 16 officers had been settled, their deeds had been kept in the safes without being released.
- (x) Ownership deeds had not been obtained for three property loans amounting to Rs.256,200 as at 31 December 2013.
- (xi) Although letters had been sent for power of attorney with regard to 6 property loans amounting to Rs.1,359,170, those had not been received.
- (xii) Power of attorney had not been obtained for property loans amounting to Rs.1,569,900 paid by the Department.

2.4 Good Governance and Accountability

2.4.1 Internal Audit

Although an Internal Audit Unit had been established in the Department, the post of Internal Auditor had been vacant during the year under review. Copies of internal audit queries for the year under review had not been submitted to the Auditor General and adequate internal audit had not been carried out.

2.4.2 Operation of Audit and Management Committee

Three meetings of the Audit and Management Committee only had been held during the year under review.

2.5 Assets Management

(a) Idle and Underutilized assets

It was observed at audit sample checks that certain assets had been lying idle or underutilized as analyzed below.

Type of Assets	No. of Units	Idle or Underutilized Period
X ray Machine purchased on 26 September 2011 for a sum of Rs.6,500,000 Borella Ayurveda Hospital	01	02 years
Time recording machines purchased on 24 May 2011 at Rs.127,500 per machine	03	02 years
Drugs Drying Machine	01	02 years
Capsules making Machine	01	02 years
Drugs Mixer	02	02 years
Fans (Pedestal)	01	
Aluminium Strainer (Large)	04	
Plastic Strainer (Small)	04	

Aluminium Strainer (Small)	02
Steamer Upper Parts	01
Dishes (Large)	01
Gas Hearth Burner	06
Torch Lamp (Rechargeable)	01
Tube Light Case (Large)	03
Iron Tap	01

(b) Conducting Annual Board of Survey

Annual Board of Survey for the year 2013 had not been carried out by the Department and reports not sent to the Auditor General.

(c) Assets given to outside parties

It was observed that the van belonging to the Department had been released to the Ministry as at 25 May 2010.

(d) Liabilities in excess of the saving of Provision

After utilization of the provision made under 49 Expenditure Items, there were liabilities in excess of the savings in a sum of Rs.48,764,710 contrary to Financial Regulation 94(1).

2.6 Non-compliance

Non-compliance with Laws, Rules, Regulations etc.

Instances of non-compliance with laws, rules and regulations observed at audit sample checks are analyzed below.

Reference to laws, rules and regulations -----	Non-compliance -----
<p>(a) Establishments Code of the Democratic Socialist Republic of Sri Lanka -----</p> <p>Section 1 of Chapter XII</p>	<p>In certain instances employees of the Department of Ayurveda had not reported for work without applying for leave.</p>
<p>(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka</p>	

 Financial Regulation 104

- (a) The total weight of the damaged Sandal tree of the Pallekele Herbal Garden was 63 kilograms. While a complaint had been made under complain No. 09/91/MO1B at the Balagolla Police Station, police inquiries had not been finalized even as at 05 November 2013, the date of audit.

Action had not been taken in terms of Financial Regulations 103 and 104, and reports furnished to the Auditor General.

- (b) Action in terms of Financial Regulations had not been taken regarding the accident occurred on 05 January 2013 to the Departmental vehicle. Accidents occurred to departmental vehicles during the year 2013 had not been reported to the Auditor General.

2.7 Weaknesses in implementation of Projects

Instances of abandoning Projects without commencement, abandoning projects without complete or delays observed at audit sample checks are shown below.

(a) **Abandoning Projects without commencement**

The following Projects had not been commenced by the Department.

Project	Estimated Cost	Expected date of Commencement	Reasons for non-Commencements, briefly
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	Rs. Million		
Borella Ayurvedic Teaching Hospital Complex – Stage II	115	May 2013	Approval of the Ministry of Finance and Planning has to be obtained for price variation
Construction of a building consisting 10 floors under development of Yakkala, Ayurveda	15	July 2013	Action is being taken to obtain consent to obtain a land to the extent of 4 acres from the land earmarked for the Academy.

hospital Construction of a five floor building at Navinna Research Hospital	15	February 2013	Approval had not been granted by the Ministry of Finance and Planning.
Construction of Kitchen at Pattipola Herbal Garden – Stage II	3	March 2013	Action is being taken to obtain an estimate according to the new plan.
Construction of the Official Circuit Bungalow in Kanneliya Herbal Garden	4	March 2013	Action had not been taken for construction work.

(b) Delays in Fulfilling Projects

The following delays in fulfilling Projects by the Department were observed.

Project	Estimated Cost	Data commenced	Date to be completed	Date of completion	Expenditure as at 31 December 2013	Reasons for the delay
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	Rs. Million				Rs.	
Construction of the rest room for drivers in the Head Office	3.00	January 2013	October 2013	Not completed	643,331 (about 24 per cent had been completed)	Not furnished
Construction of corridor of Elders' Ward of the Ayurvedic Hospital, Ampara	0.68	January 2013	July 2013	Not completed	-	Contract awarded
Construction of the Canteen together with Auditorium and Toilet Complex – Stage II for the National Institute of Indigenous Medical Systems	7.50	January 2013	September 2013	Not completed	1,813,866 (about 60 per cent had been completed)	Not furnished
Construction of Employees' Rest Room in the Haldummulla Herbal Garden	4.00	February 2013	December 2013	Not completed	(about 60 per cent had been completed)	Not furnished
Construction of Giradurukotte Auditorium	3.00	March 2013	December 2013	Not completed even by November 2014	3,493,961	Not furnished
Construction of Quarters for the	4.00	March 2013	November 2013	-do-	2,208,368	Not furnished

Conductor,
Giradurukotte
Garden

Construction of Boundry Fence Stage II of Haldummulla Herbal Garden	3.00	January 2013	July 2013	Not furnished	2,394,010	Not furnished
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2.8 Performance

Observations on the progress of the Department as per Action Plan 2013 are shown below.

Key functions not adequately performed

The Department had not performed key functions adequately. Few such instances observed are shown below.

- (a) Although it had been planned to complete the renovation works of the Yakkala Hospital stores and common building in July 2013, the work had not been completed even by end of the year 2013.
- (b) Although it had been planned to complete the renovation of the roof of the Ampara Ayurveda Hospital in August 2013, the work had not been completed even by end of the year 2013.
- (c) Although it had been planned to complete roof renovation works of the Outpatient department of Manchanthuduwa Hospital in November 2013, the work had not been completed even by end of the year 2013.
- (d) Although it had been planned to complete the renovation works of the entrance door and the Head Office in October 2013, the work had not been commenced during the year 2013.
- (e) Although it had been planned to complete the roof repair work and painting of the circuit bungalow and office building in the herbal garden at Haldummulla in September 2013, that work had not been completed by end of the year 2013.

2.9 Transactions of Contentious Nature

Certain transactions of the department were in contentious nature. Certain such transactions observed in sample checks are shown below.

- (a) The following observations were made at the examination of contract for supply of raw and dry foodstuff to Yakkala Ayurveda Hospital.
 - (i) Although quotations had been called for 159 varieties of foodstuff in the tender application, supplier to whom the contract was awarded had not furnished

quotations for 41 varieties. Foodstuff for which quotations not furnished were of high prices in the market.

- (ii) According to the procurement condition No. 16, when quotations submitted are minimum to an unbelievable level compared to the market prices, procurement committee has the right to reject such rates. However, the supplier who got the contract for the supply of abnormal to Yakkala Ayurveda Hospital had furnished such abnormal prices.
- (iii) Under reasons given for recommendations by the Technical Evaluation Committee for supply of dry and raw foodstuff, the Committee had included the prices for items not quoted by the supplier. The basis of such prices determined by the Committee for 41 items not quoted by the supplier was not made available to audit.
- (iv) Although it had been stated in the report of the Technical Evaluation Committee that minimum quotations were made by the bidder for the whole procurement, when the items quoted by the bidder alone taken into consideration, certain other bidder too had quoted the minimum prices.
- (v) On 27, January 2014, a sum of Rs.527,788 had been paid by the Department for a sum of Rs.427,788 payable according to the bills submitted by a firm. Accordingly, a sum of Rs.100,000 had been overpaid by the Department.

2.10 Irregular Transactions

When compared with the output, the quantity of oil obtained primarily from the dry medical stores of the Borella Hospital, used for production of various types of medicated oil after utilization of various types of medication; it should be equal or at least approximately equal. It was observed at an examination of registers that certain types of oil manufactured by the oil section during the year 2013 had been abnormally lower than the original quantity obtained at the primary stage.

2.11 Losses and Damage

The following observations are made.

- (a) Differences were observed between the physical stock items in the dry medical stores and the stocks balances shown in the books.
- (b) Value of drugs such as Syrup Vasaka ,Nava Karshaka Quatha, Kateepaladi Churna, Mundi (Madamahana) Arkaya, Suranimbha, Medhahara Arkaya and Danthyaristaya the date of expiry of whichever July 2012, February 2014, 30 June 2011, October 2011 October 2012 respectively, kept in the stores of finished products on the date of audit , 08 August 2014 amounted to Rs.9,615.
- (c) Action had not been taken to issue those drugs to an Ayurvedic Hospital before the date of expiry.

- (d) Differences were observed between the value of stocks marked in the physical items in the dry medical stores and the values of identical items shown in the books.
- (e) Due to improper store-keeping of finished products at the medical stores, about 60,000 Chinese needles had become unserviceable. Value of that stock amounted to Rs.592,000.

2.12 Uneconomic Transactions

The following observations are made.

- (a) Even though bottles of sterilised milk had been purchased for the kitchen and the Dry Drugs Stores of the Ayurveda Hospital, Borella at the rate of Rs.60 per bottle of 500 ml prior 01 March 2012, bottles of sterilised milk for the Dry Drugs Store had been purchased (2517 bottles of sterilized milk bottles for 2012 and 2013) from another supplier thereafter at Rs.150 per bottle, thus resulting in a loss of Rs.226,530 to the Government from the purchase of sterilised milk at a higher price during the period 2012 to 2013.
- (b) Although the company supplying foodstuff to the Borella Ayurveda Hospital for the year 2012 had quoted Rs.47 per bottle for supplying milk, purchases had been made from another marketing agency at the rate of Rs.60 per bottle. Due to this, a loss of Rs.104,000 at the rate of Rs.13 per bottle had occurred to the Government up to 23 August 2013.

2.13 Management Weaknesses

The following weaknesses were observed at audit sample checks.

- (a) Weighing machines and blocks used at the Medical Factory of Borella Ayurveda Hospital had not been annually registered and repaired up to 01 January 2014. Due to this, there was room for various irregularities due to differences in weight of medicating items.
- (b) In awarding the contract for supplying raw medicinal items for the Borella Ayurveda Hospital, a bidder who had quoted the highest price for 100 medicinal items had been selected out of the quotations received.
- (c) 03 Bottles of 750 ml "Batu oil" marked as expired from February 2001 remained in the stores of the Yakkala Ayurvedic Hospital without action being taken for disposal.
- (d) Although it had been indicated in the action plan for 2013 of the Yakkala Ayurvedic Hospital that the stores will be renovated, the work had not been performed up to 19 June 2014, the date of audit.
- (e) The Procurement Committee had decided on 07 January 2013 that repairs to the glass house of the Haldummulla Herbal Garden was essential and urgent and therefore the

work should be entrusted the Government Factory at an estimated sum of Rs.16,904,160.

The Following matters were observed in that connection.

- (i) Although the letter No. 03/3/5/29 dated 15 January 2013 awarding the contract had been sent, date of Commencement of work and the period of contract had not been specifically mentioned therein.
 - (ii) A letter accepting or indicating the date of commencement of the contract by the contractor had not been submitted.
 - (iii) According to the letter No. Hal/Osu/Vaga/02/07 of the Agro Scientist indicating the completion of work, a period of 10 months had been taken for the contract.
 - (iv) Therefore, a long period of time had been taken for this repair work which was decided as urgent.
- (f) While entering into the contract for the construction of boundary fence and internal road of the Pattipola Herbal Garden, conditions relating to certain percentage of the contract value to be deducted as liquidated damages had not been included and due to that liquidated damages had not been recovered for the delay in performance of this contract.
 - (g) The income and expenditure of the Pallekele Herbal Research Garden for the year under review had increased by Rs.200,000 and Rs.600,000 respectively when compared with the performance of the previous year. While the expenditure incurred had been in excess of the income every year, a sum of Rs.5,610,137 had been spent in excess of the income during the period 2011 to 2013.
 - (h) It was observed that raw medical materials could be obtained from the Pallekele Herbal Research Garden. However, action had not been taken to the by 31 December 2013 to obtain those medical materials for the Department of Ayurveda or hospitals or other institutions.
 - (i) The Department of Ayurveda did not possess any deed or vesting order with regard to the Pallekele Herbal Research Garden. However, these lands had been developed by the Department of Ayurveda without taking action for vesting the land.
 - (j) Boundary fence of the Pallekele Herbal Research Garden had not been erected properly. There were risk of pilfering the medicinal herbs and material by unauthorized individuals.
 - (k) Production of medicinal plants (gross) during the past 4 years is given below.

2010	26,257
2011	8,969
2012	13,043
2013	9,631

Accordingly, production of medicinal plants during the year under review had decreased by 3,412 when compared with of the preceding year.

- (l) The computer sent on the Issue Order No. A/25 956524 dated 28 May 2013 from the Department of Ayurveda remained idle due to non-availability of necessary software and had not been effectively used even by the date of audit, that is, 09 August 2014.
- (m) Although the importance of maintaining a register of permanent medicinal trees separately for the 2 research medicinal gardens at (Haldummulla and Navinna) and for the 2 medicinal gardens at (Girandurukotte and Pattipola) owned by the Department was pointed out, such registers had not been prepared.
- (n) At the cash verification carried out on 08 August 2014 at the shroff section of the Ayurveda Research Institute, there was a sum of Rs.62,949 in the custody of the Chief Management Assistant who performs the shroff's duty. The following observations were made in this regard.
 - (i) The above sum included the income from sale of plants, fuel advances, an advance payable to a doctor and petty cash balance. Those amounts had not been kept separately.
 - (ii) Management Assistant in charge of cash did not produce the following amounts to audit.
 - The sum of Rs.1,884 found in a box when checking the safe.
 - The sum of Rs.700 found in the drawer of the table.
 - A sum of Rs.1,507 was found in excess of the balance that should be available with the Shroff by 08 August 2014.
 - Although any advance obtained should be settled immediately after performing the particular job, an advance of Rs.20,000 applied by a doctor on 30 July 2014 to purchase necessary equipment to the female medical clinic had not been paid to her even by 08 August 2014 and was in the custody of the cashier. Action had not been taken to settle the money to the Department.
- (o) Out of the income received from sale of herbal plants, a sum of Rs.22,760 was the last deposit made to the Head Office on 08 July 2014.
- (p) It is required to record the income from sale of herbal plants in a register according to the receipt numbers and deposited at the Head Office. However, such action had not been taken after 24 January 2014.
- (q) Receipt books obtained from the Head Office during the year under review had not been entered in the register.
- (r) All functions relating to preparation of kitchen food requisition, taking over foodstuff supplied by the contractor and issue of foodstuff to the kitchen are performed by the

attendant covering the post of Foods Observer and therefore, it was not possible to satisfy on the internal control methodology in the audit.

- (s) Although the original copy of the schedule of foods requisition should be given to the supplier, it was with the attendant at the time of audit.

2.14 Performance

Attendance of patients during the past 4 years is given below.

Year	Number of Patients
-----	-----
2013	34,536
2012	39,549
2011	39,075
2010	36,231

In addition, 2,529 patients had attended the elders' clinic during the year 2013 and accordingly, number of clinic patients had been 37,065 for that year. According the number of patients attending the clinics had decreased during the past 4 years.

Attendance of patients to the Outpatient Department during the past 5 years is given below.

Year	Number of Patients
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2013	69,897
2012	71,805
2011	72,717
2010	73,170
2009	75,394

According the number of patients attending the Outpatient Department had been decreased during the past 5 years.

2.15 Human Resources Management

Approved Cadre and the Actual Cadre

The position of cadre as at 31 December 2013 was as follows.

Category of the Employee	Approved Cadre	Actual Cadre	Number of Vacancies
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(i) Senior level	256	189	67
(ii) Tertiary Level	187	83	104

(iii) Secondary Level	279	211	68
(iv) Preliminary Level	717	412	305
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Total	1,439	895	544
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The following observations are made.

- (a) The Department had not taken action to fill 544 vacancies by end of the year under review.
- (b) Although an officer of the Department of Ayurveda had taken 93 days of leave during year 2013 and 45 days of leave from January to April 2014 during the year, he had been paid full salaries and allowances.