

## Report of the Auditor General on Head 220 – Department of Ayurvedha -2015

The audit of the Appropriation Account and Reconciliation Statements including the financial records, books, registers and other records, of Head 220 - Department of Ayurvedha for the year ended 31 December 2015 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 Commissioner of the Department on 20 September 2016. 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 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 in Articles 148,149,150 and 152 of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Finance 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. Accounts

### 2.1 Appropriation Accounts

#### Total Provision and Expenditure

The total net provision made for the Department amounted to Rs. 1,741.97 million, and out of that a sum of Rs. 1,522.03 million had been utilized as at the end of the year under review. Accordingly, savings of the Department out of the total net provision had been Rs. 219.94 million or 12.63 per cent. Details are shown below.

Expenditure	As at 31 December 2015			Savings as a Percentage of Net Provision
	Net Provision	Utilization	Savings	
	Rs. Millions	Rs. Millions	Rs. Millions	
Recurrent	1,166.97	1,109.02	57.95	4.97
Capital	575.00	413.01	161.99	28.17
<b>Total</b>	<b>1,741.97</b>	<b>1,522.03</b>	<b>219.94</b>	<b>12.63</b>

## 2.2 Advance Account

### Advances to Public Officers Account

#### Limits Authorized by Parliament

The limits authorized by Parliament with relating to Item No. 22001 - Advances to Public Officers Account of the Department and actual amounts are given below.

Expenditure		Receipts		Debit Balance	
Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
Rs. millions	Rs. millions	Rs. millions	Rs. millions	Rs. millions	Rs. millions
36.68	33.36	27.68	33.71	190.00	80.34

## 2.3 General Deposits Accounts

There were 04 General Deposit Accounts under the Department and the balances as at 31 December 2015 was totaled to Rs. 11.18 million. Details are given below.

Deposit Account No.	Balance as at 31 December 2015
	Rs. millions
6000/0000/00/0002/0127/000	2.95
6000/0000/00/0016/0076/000	7.59
6000/0000/00/0018/0082/000	0.13
6000/0000/00/0019/0019/000	0.51
<b>Total</b>	<b>11.18</b>

## 2.4 Audit Observation

Appropriation Account and the reconciliation statements of the Department of Ayurvedha for the year ended 31 December 2015 had been prepared satisfactorily subject to the audit observations appearing in the management audit report referred to paragraph 1.1 above. Out of those observations included in the management report, material and significant audit observations appear in paragraph 3.

### 3. Material and Significant Audit Observations

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#### 3.1 Non -maintenance of Registers and Books

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It was observed in audit test checks that the following registers had not been maintained by Department.

<u>Type of Register</u>	<u>Relevant Regulation</u>
(a) Register of Fixed Assets	Treasury Circular No. 842 dated 19 December 1978.
(b) Fixed Assets Register of Computer, equipment and Software	Treasury Circular No. IAI/2002/02 dated 28 November 2002.
(c) Register of Losses	Financial Regulation 110
(d) Register of Liabilities	Financial Regulation 214
(e) Register of Listed vehicles	Financial Regulation 1647 (e)

#### 3.2 Lack of Evidence for Audit

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Hundred and twelve payment vouchers not completed as per the Financial Regulation 272(2) of the Department valued at Rs. 99,700,989 had been misplaced.

#### 3.3 Replies to Audit Queries

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Replies had not been furnished to 25 audit queries issued during the year under review and 01 audit queries issued during the previous year to the Department even up to 25 July 2016 and quantifiable value relating to those queries was amounting to Rs. 501,900,434.

#### 3.4 Appropriation Account

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##### Budgetary Variance

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Following observations are made.

- (a) The entire net provision of Rs. 6,800,000 made under 04 Capital Objects had been saved due to management inefficiency
- (b) Out of the sum of Rs. 205,387,219 provided for 11 Capital Objects a sum of Rs. 138,434,700 had been saved due to management inefficiency and the balance of those objects after utilization of the net provision were in a range between 60 to 93 per cent.

### 3.5 Advances to Public Officers Account

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Following deficiencies were observed in the sample audit check carried out with regard to Reconciliation Statement relating to Advances to Public Officers Account Item No.22001 as at 31 December 2015.

- (a) According to the reconciliation statement submitted to the audit; total of outstanding balances to be recovered as at 31 December 2015 amounted to Rs. 1,627,020. While those balances in arrears were being brought forward over a period ranging from 05 to 10 years, Department had failed to recover those balances.
- (b) According to the reconciliation statement submitted to the audit; actions had not been taken by the Department to settled 03 advance balances aggregating Rs. 407,009 as at 31 December 2015 and sufficient information had not been presented to audit relating to two advance balances out of those balances.
- (c) The Power of Attorney which cannot be cancelled had not been registered in the Land Registry with regard to the property loans issued to 09 officers aggregating Rs. 2,177,320.

### 3.6 Good Governance and Accountability

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#### (a) Internal Audit

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Even though Internal Audit unit of the Department had been established, the post of Internal Auditor was vacant during the year under review.

#### (b) Annual performance Reports

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As per the Finance Circular No. 402 dated 12 September 2002, though the performance report should be tabled in the Parliament by the Department within 150 days after the closure of the financial year, that report had not been tabled in the Parliament even by 10 October 2016.

### 3.7 Assets Management

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In sample audit checks carried out in connection with the assets of the Department, following deficiencies were observed.

#### (a) Idle and Underutilized assets.

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One acre of herbal garden at Pinnaduwa which is consisting of 6.5 acres had been kept idle in the year under review without being used for planting herbal.

**(b) Conducting Annual Board of Survey**  
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Although the Annual Board of Survey for the year 2015 should be carried out and those reports should be submitted to the Auditor General before 17 March 2016 in terms of Public Finance Circular No. 02/2014 dated 17 October 2014, those reports had not been forwarded to the audit even up to 30 October 2016 by the Department. The last Annual Board of Survey had been carried out in respect of the year 2014.

**(c) Unsettled Liabilities**  
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The correctness of liabilities of Rs. 269,553,570 included in appropriation account could not be checked as a liability register had not been maintained. Out of them, a liability of Rs. 23,762,018 had not been confirmed by vouchers and invoices. Further a liability of Rs. 155,213 had been entered twice and liabilities of Rs. 1,098,587 had not been included in the liability statement.

**3.8 Non-compliance**  
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**(a) Non-compliance with Laws, Rules and Regulations**  
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Instances of non-compliance with the provisions of laws, rules and regulations observed in audit sample checks are analyzed below.

**Reference to law, rules and regulation**  
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**Non-compliance**  
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**(i) Financial Regulations of  
the Democratic Socialist  
Republic of Sri Lanka**  
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|---|--|
| <ul style="list-style-type: none"><li>▪ Financial Regulation 104</li><br/><li>▪ Financial Regulation 237(a)</li></ul> | <p>Action had not been taken as per the Financial Regulations with relating to 04 accidents occurred during the year under review.</p> <p>Though a certificate should be taken to confirm that the work or supply had been performed satisfactorily according to the contract or agreement, and recommend that payments are in order, payment had been made on 02 payment vouchers amounting to Rs. 1,536,735 without obtaining such certificate during the year under review.</p> |
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- Financial Regulation 260

An advance of Rs. 15,000 had been made during the year under review to some other officer instead of the name mentioned in the payment voucher.
- Financial Regulation 264(1)

Though the amount aggregating Rs. 5,685,039 had been paid through 05 payment vouchers, the receipts had not been obtained from the relevant recipients to confirm the receipt of such amount.
- Financial Regulation 267

The Receipts confirming the total amount of Rs. 19,329,491 paid to 425 officers by the Department as allowances during 04 months of the year under review had not been obtained.
- Financial Regulation 371

  - (i). Though the ad hoc advances should be settled immediate after completion of the work, ad hoc advances aggregating Rs. 243,371 issued to 08 officers had been settled after a delay of ranging from 30 to 210 periods.
  - (ii). Ad hoc advances aggregating Rs 197,259 issued to 14 officers without identifying the relevant work properly had been returned by keeping that money in hand for several days instead of performing such work.

(ii) **Public Administration  
Circulars**

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- Circular No. 41/90 dated 10 October 1990.

Fuel consumption tests of the Department vehicles had not been performed after the year 2011.

- Paragraph 02 of Circular No. Government Emblem had not been affixed on 05 pool vehicles even as at 26/92 dated 19 August 1992 the date of audit on 17 June 2016.

**(b) Non-compliance with Tax Requirements**

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Although as per the Guideline 5.4.12 of the Government Procurement Guideline, after making the payment of Value Added Tax to contractors or suppliers, details of such payment shall be informed to the Commissioner General of Inland Revenue with a copy to Auditor General, on or before the 15th day of the following month. The details of Value Added Tax amounting to Rs. 31,689,300 paid to contractors and suppliers during the year under review had not been informed. Further, on two invoices in which the registration numbers of Value Added Tax were not given valued at Rs.84,830 and Rs.162,250 respectively had been paid.

**3.9 Performance**

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Observations relating to the progress of the Department according to Annual Budget Estimate and Action Plan for the year 2015 are shown below.

- (a) The following activities mentioned in the action plan prepared for the year 2015 had not fully or partially been completed.
- (i) Construction of a herbal plants sales outlet at an estimated cost of Rs. 1,000,000 with a view of improving the indigenous herbal cultivation.
  - (ii) Fixing shelves in the record room at an estimated cost of Rs. 500,000 with a view of improving regularity and efficiency.
  - (iii) Repairing toilets at an estimated cost of Rs. 800,000 with a view of staff welfare.
  - (iv) Renovation of 3<sup>rd</sup> floor of Panchkarma treatment building and repair of main sewerage system at an estimated cost of Rs. 1,400,000 and Rs. 3,000,000 respectively with a view of improving facilities of patients.
  - (v) Construction of auditorium, construction of canteen and toilet system and construction of grill gate to opened doors at 1<sup>st</sup> floor at an estimated cost of Rs. 1,900,000 Rs. 625,000 and Rs. 625,000 respectively.
  - (vi) Renovation of buildings at an estimated cost of Rs. 1,934,400
  - (vii) Renovation and improvement of stores at Pattipola herbal garden and repair of hostel toilets at an estimated cost of Rs. 2,000,000 and Rs. 1,135,000 respectively.
- (b) The observations with relating to performance of oil unit and taste unit at manufacturing center in Borella hospital are shown below.

- (i) A production plan had not been prepared to produce annual medicine requirement of Borella Hospital.
- (ii) Though the production requirement of 36 kind of oil had been identified for the year 2015, only 24 kind of oil had been produced.
- (iii) Thirteen kinds of oil had been produced without identifying the quantity of requirement for the year 2015.
- (iv) Four kinds of oil of which annual requirement not been identified had been procured from outside.
- (v) Eight kinds of medicines had been produced less than the annual requirement by the Taste unit.
- (vi) The annual requirement of Buddha Raja Kalkaya and Rajakprawardhana Watie were 183 kilograms and 27 kilograms respectively. However, those medicines had not been produced due to action not been taken to get supplying Opium and Bitter Opium supplied.

### **3.10 Transactions of Contentious Nature**

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As it was informed by the letter No. SH/PSD/SU/June/626/2 dated 16 June 2015 of the Secretary to the Ministry of Health, Nutritious and Indigenous Medicine, a sum of Rs. 731,700 had been paid by the Sri Lanka Ayurvedha Pharmaceutical Corporation to a non-governmental organization for the supply of medicines.

### **3.11 Losses and Damages**

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Though the Department lorry had been given to Department of Census and Statistics from 03 June 2014 to 27 June, the rent of Rs. 102,261 to be recovered in this regard had not been recovered even as at the date of audit on 17 June 2016.

### **3.12 Deviation from Government Procurement Guideline Procedures**

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Deficiencies reveled in audit test checks were as follows

- (a) The activities of the contract with relate to the second stage of the construction of kitchen in Pattipola herbal garden of the contract value of Rs. 6,346,173 had been made contrary to the provisions made in the Government Procurement Guideline.
  - (i) The Technical Evaluation Committee had not been appointed by the Head of the Department as per the Guideline 2.8.4 of the Government Procurement Guideline.
  - (ii) As per the Guideline 4.3.3 of the Government Procurement Guideline, if the bidding has taken place after a long period from the preparation of initial total cost estimate it would have been approved by updating the total cost estimate with the consideration of inflation and other matters by the relevant authority. Contrary to that, the initial estimate prepared, based on the rates of Uva



Province price rates for Rs. 5,126,963 had been revised to Rs. 6,362,462 based on the rates of Western Province price rates. Though the revised estimate had exceeded by Rs. 1,235,499 than the initial estimate, the reasons for deviating from the rates of Uva Province price rates had not been furnished.

- (iii) As per the Guideline 6.2.2 of the Government Procurement Guideline, though the minimum period of bidding was 14 days, only 10 days had been granted.
  - (iv) Though the contract period had been extended by 180 days, it had not been confirmed as per the Guideline 8.14.1 of the Government Procurement Guideline, whether the delays were due to beyond the circumstances of the control of the contractor.
- (b) The activities of the contract with relate to the second stage of the construction of Borella Ayurvedha Hospital of which the contract value is Rs. 1,113,158,908 had been conducted contrary to the provisions in the Government Procurement Guideline. Details are shown below.
- (i) The contract had been awarded to the minimum bidder selected by the Cabinet Appointed Procurement Committee Board on 24 November 2008. The total contract value had been 727,554,842. However, as per the Guideline 8.9.1 of the Government Procurement Guideline, it had not been come to a written agreement with the contractor.
  - (ii) Construction activities had not been commenced even as at the end of the year 2014 and the Cabinet Appointed Procurement Committee had decided on 04 December 2014 to offer the contract to the original contractor on the request made by the contractor for Rs. 1,113,158,908 by adding a sum of Rs. 385,604,066 equivalent to 53 per cent of the original contract value. But before that the prior approval had not been taken as per the Public Finance Circular No. 02/2012 of 04 December 2012 and out of the 06 members of the Cabinet Appointed Procurement Committee only three members had given the approval for that decision.
  - (iii) As per the Guideline 8.7.1 of the Government Procurement Guideline, before awarding the contract the procurement entity shall ensure that the availability of budgetary provisions to meet contract expenditure. However, the contract with regard to the second stage of construction of Borella Ayurvedha Hospital had been awarded by the Department without sufficient financial allocations. As a result of this liquidated damages amounting to Rs. 11,895,234 had to be paid to the contractor by October 2015.

- (c) The activities of the contract with relate to the construction of retention wall and the fence surrounding the Pinnaduwa herbal garden of which the contract value of Rs. 1,400,736 had been conducted contrary to the provisions in the Government Procurement Guideline. The following observations are made in this regard.
- (i) As per the Guideline 8.12.2 of the Government Procurement Guideline, a certificate of work completion had not been issued by the Engineer.
  - (ii) Twenty four per cent of the contract value amounting to Rs. 349,500 had been paid to the contractor for extra work, without obtaining the approval from relevant authority as per the Guideline 8.13.4 of the Government Procurement Guideline.
- (d) The activities of the contract related to the construction of the boundary fence of Kanneliya herbal garden of which the contract value of Rs. 2,644,623 had been conducted contrary to the provisions in the Government Procurement Guideline. The following observations are made in this regard.
- (i) As per the Guideline 8.12.2 of the Government Procurement Guideline, a certificate of work completion had not been issued by the Engineer.
  - (ii) Twenty four per cent of the contract value amounting to Rs. 211,162 had been paid to the contractor for extra work, without obtaining approval from relevant authority as per the Guideline 8.13.4 of the Government Procurement Guideline.
- (e) The activities of the contract related to the construction of the Kitchen in circuit bungalow at Kanneliya herbal garden of which the contract value of Rs. 6,062,730 had been conducted contrary to the provisions in the Government Procurement Guideline. Details are given below.
- (i) Twenty one per cent of the contract value amounting to Rs. 1,295,342 had been paid to the contractor for extra work, without obtaining approval from relevant authority as per the Guideline 8.13.4 of the Government Procurement Guideline.
  - (ii) As per the contract agreement, said activity should be completed in 90 days and liquidated damage of Rs. 3,031 per each day delayed should have been charged. Though the actual days delayed were 105 and liquidated damage of Rs. 100,035 had been charged only for 33 days and liquidated damage of Rs. 218,259 had not been charged for the balance 72 days.
- (f) The contract with relate to supply raw and dry foods to Chamal Rajapaksha Ayurvedha Hospital at Hambantota for the year 2015 had been awarded to a supplier who did not have the service experience of 03 years for suppling foods with required specification to government hospitals.
- (g) A loss of Rs. 1,160,503 had been occurred due to awarding contract of suppling fresh and dry foods to Wickramarachchi Hospital at Gampaha for the year 2015 to the contractor who had given the bid third lowest even though the second lowest bidder had fulfilled the necessary qualifications.

- (h) Although as per the conditions of contract entered on 24 January 2015 with the Company providing security service to Borella Ayurvedha Hospital, the all staff deployed in service should be between 18 to 65 years of age, 04 officers exceeding 65 years of age had been deployed. A register had not been maintained as per the conditions of the contract by the Company to record arrivals and departures of the security officers. Also an identity card had not been provided by including name, signature and the photograph of the security officers. According to the attendance register maintained in Minor Staff Control Unit, though 23 security officers including the chief security officer in charge had placed signatures, it was revealed that only 19 security officers including chief security officer in charge had engaged in duties in Borella Hospital on the day 09 November 2015. Officers of several shifts had not signed for 09 days of the attendance registers in the month of August 2015. However, a sum of Rs. 640,078 had been paid by considering that the all officers had attended for 31 days in the month of August.

### 3.13 Unsettled Audit Paragraph

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Paragraphs which were not corrected by the Department regarding the deficiencies referred in audit paragraphs included in reports of the Auditor General with relate to the Department are shown below.

Reference to Auditor General's Report		Reference Subject
Year	Paragraph No	
2014	5.10	A doctor who had been transferred from the Department to Wennappuwa Pradeshiya Saba in 13 July 2012 had been paid a salary of Rs. 548,376 for 15 months since then. Though out of that a sum of Rs. 200,000 had been recovered, the total amount of Rs. 485,470 including the balance of Rs. 348,376 and the government charges of Rs. 137,094 had not been recovered.

### 3.14 Management Weaknesses

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Even though the entire consumption during the year under review was 190 kilograms, 1,188.97 kilograms of white sandalwood were available in the dried herbal stores at Borella Ayurvedha Teaching Hospital as at 31 December 2015. Also the balance stock of white sandalwood, of which the consumption was insignificant, had not been stored safely.

### 3.15 Human Resources Management

#### Approved Cadre and the Actual Cadre

Cadre position of the Department as at 31 December 2015 was as follows.

	Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i)	Senior level	395	359	36
(ii)	Tertiary Level	42	13	29
(iii)	Secondary Level	163	106	57
(iv)	Preliminary Level	327	272	55
	<b>Total</b>	<b>927</b>	<b>750</b>	<b>177</b>