

## **Head 111- Ministry of Health Nutrition and Indigenous Medicine**

### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Ministry of Health Nutrition and Indigenous Medicine for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 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. According to the Section 11 (1) of the National Audit Act No.19 of 2018, the summarised report which included my comments and observations on the financial statements of the Ministry of Health Nutrition and Indigenous Medicine had been presented to the Chief Accounting Officer on 31 May 2019. As per the Section 11 (2) of the National Audit Act No.19 of 2018, the annual detailed Management Audit Report was issued to the Chief Accounting Officer on 31 May 2019. This report is submitted to the Parliament as per the Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the Section 10 of the National Audit Act No. 19 of 2018.

In my opinion, except for the effects of the matters described up to paragraph 1.6 of my report, the financial statements give a true and fair view of the financial position of the Ministry of Health Nutrition and Indigenous Medicine as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Generally accepted Accounting Principles.

#### **1.2 Basis for Qualified Opinion**

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAUSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

#### **1.3 Responsibilities of 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 Section 38 of the National Audit Act No. 19 of 2018 and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Ministry is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Ministry.

As per the Sub Section 38(1) (c) of the National Audit Act, the Chief Accounting Officer should assured to prepare and maintain an effective internal control system for the financial control of the Ministry and the progress of the system should be reviewed timely. Accordingly amendments should be made as to maintain the system effectively.

#### **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 report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministries' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

#### **1.5 Report on Other Legal and Regulatory Requirements**

Section 6 (d) of the National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

- (a) There was no requirement of preparing financial statements by the Ministry of Health Nutrition and Indigenous Medicine relating to the previous year. Hence it could not

be stated that the financial statement for the previous year were correspond with the financial statement for the year under review.

- (b) There was no requirement of preparing financial statements by the Ministry of Health Nutrition and Indigenous Medicine relating to the previous year. Hence recommendations on the financial statements had not been presented

## 1.6 Comments on the Financial Statements

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### 1.6.1 Statement of Financial Performance

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The following observations are made.

Audit issue	Recommendation	Comments of the Chief Accounting Officer
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(a) According to the monthly accounts presented to Audit, even though imprest received during the year under review was Rs.155,743 million, it had been mentioned as Rs.155,905 million in the financial position statement. Hence a sum of Rs.162 million had been overstated.	Actions should be taken as per the provisions of the Public Accounts Circular No. 267/2018 dated 21 November 2018.	Agreed with the audit observation.
(b) Although the imprest balance as at 31 December 2018 should be calculated deducting only the total payments from the total receipts, instead the imprest balance had been calculated deducting total payments and the imprest balance of Rs.342 million as at 01 January 2018 from the total receipts. Accordingly instead of the correct minus imprest balance of Rs.8,034 million as at 31 December 2018, a sum of Rs.7,691 million had been mentioned in the financial performance statement as a minus imprest balance.	As mentioned above	Agreed with the audit observation.
(c) The net income collected for the Other Revenue Accounting officers during	As mentioned above	Agreed with the audit observation

the year under review was Rs.3,028 million, it had been calculated as Rs.3,075 million in the financial performance statement. Hence a sum of Rs.47 million had been overstated. Further receipts to the Public Servants Provident Fund (PSPF) amounting to Rs.21 million had not been mentioned as other receipts. Accordingly the net value of the other receipts had been overstated by Rs.25 million.

## 1.6.2 Statement of Financial position

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The following observation is made.

<b>Audit issue</b> -----	<b>Recommendation</b> -----	<b>Comments of the Chief Accounting Officer</b> -----
The balance of the Public Servants Provident Fund as at 31 December 2018 amounting to Rs.21 million had not been disclosed in the statement of financial position as a current liability. As a result, current liabilities and net assets as at 31 December 2018 had been understated and overstated respectively by the same amount.	Actions should be taken as per the provisions of the Public Accounts Circular No. 267/2018 dated 21 November 2018.	- Agreed with the audit observation.

### 1.6.3 Cash Flow Statement

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The following observations are made.

<b>Audit issue</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
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(a) According to the monthly accounts summaries, even though the cash flow generated from operating activities was Rs.161,150 million, it had been shown in the cash flow statement as Rs.161,197 million.	Actions should be taken as per the provisions of the Public Accounts Circular No. 267/2018 dated 21 November 2018.	Agreed with the audit observation.
(b) According to the monthly accounts summaries, even though the cash flow incurred for the operating activities was Rs.134,387 million, it had been shown as Rs.134,709 million in the cash flow statement.	As mentioned above.	Agreed with the audit observation.
(c) In a ground of transactions relating to financial activities were not available in the Ministry, a sum of Rs.2,457 million had been shown in the cash flow statement as the cash flow incurred on financial activities.	As mentioned above.	Not commented.

#### 1.6.4 Property Plant and Equipment

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The following observations are made.

Audit issue	Recommendation	Comments of the Chief Accounting Officer
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(a) According to the report of the movement of non-current assets prepared for the previous year, the cost of the vehicle, furniture, office equipment and plant and machinery as at 31 December 2017 had been understated by Rs.36,548 million and the cost of buildings and constructions as at 31 December 2017 had been overstated by Rs.32,351 million in the opening balances of the year under review. Further cost of lands amounting to Rs.42,743 million had not been mentioned as opening balances. Hence the cost of assets had been understated by Rs.46,941 million.	Actions should be taken as per the provisions of the Public Accounts Circular No. 267/2018 dated 21 November 2018.	Agreed with the audit observation.
(b) According to the statement of expenditure by programme and the Treasury printouts, the expenditure incurred for acquiring capital assets during the year under review was Rs.17,735 million. However according to the statement of non-financial assets, the said value was Rs.2,942 million. Accordingly a difference of Rs.14,793 million was observed.	As mentioned above.	Agreed with the audit observation.

#### 1.6.5 Registers and Books not being maintained

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It was observed in sample audit tests that certain registers mentioned below had not been maintained by the Ministry whilst certain registers had not been maintained up to date.

Audit issue	Recommendation	Comments of the Chief Accounting Officer
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(a) Register for Losses and Damages		
----- Register for losses and damages	Actions should be	Agreed with the audit

had not been maintained.

taken as per the Financial regulation 110.

observation and actions are being taken to prepare the register for losses and damages.

(b) Counterfoil Register

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A counterfoil register had not been maintained for entering license books issued for importation of duty free vehicles.

Actions should be taken as per the Financial regulation 341.

Agreed with the audit observation and actions will be taken to rectify in future.

(c) Register for Listing Vehicles

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Register for listing vehicles had not been maintained up to date.

Actions should be taken as per the Financial regulation 1647 (e).

Agreed with the audit observation and actions are being taken to maintain a vehicle listing register up to date through a computer software for the institutions governed under the line Ministry as per the Financial Regulation 1647 (e).

(d) Official Telephone Register

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An official telephone register had not been maintained.

Actions should be taken as per the Financial regulation 845 (1)

Agreed with the audit observation.

**1.6.6 Documentary Evidence not made available for Audit**

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Audit evidence had not been submitted for following transactions.

**Audit issue**

**Recommendation**

**Comments of the Chief Accounting Officer**

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Schedules for non-financial assets valued at Rs.116,857 million as at 01 January 2018, progress reports of recoverable amount of Rs.19 million from the medical officers

According to the Section 42 (a) of the National Audit Act No. 19 of 2018, any person who fails to furnish any schedules,

Agreed with the audit observation.

relating to violation of bonds, records information, document files required to examine documents and other the progress of 27 projects of which evidence when requested the provisions had been made in the commits an offence. previous years but not during the year under review had not been presented to audit.

**1.6.7 Assurance which should be given by the Chief Accounting Officer**

According to the provisions of Section 38 of the National Audit Act No. 19 of 2018, even though assurance should be given by the Chief Accounting Officer for following matters, actions had not been taken accordingly.

<b>Audit Issue</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
(a) The Chief Accounting Officer should be ensured that an effective internal control system had been prepared and implemented for the financial control of the Ministry and the effectiveness of the system should be reviewed from time to time and necessary amendments should be made in order to maintain the system effectively. Further those reviews should be made in writing and copies of such reviews should be presented to the Auditor General. However statement had not been presented to audit to prove that such reviews had been done.	Actions should be taken as per the provisions of the Section 38 of the National Audit Act No. 19 of 2018.	Not Agreed with the audit observation, Functions mentioned in the Financial Regulations 133 (2) (a) (i) and (vi) were included in the scope of internal audit, Internal audit section carry out their audit activities according to an annual audit plan prepared by them and reports were issued, Actions were taken to implement the recommendations which were given relating to the fraud, errors and deficiencies revealed in this process and to take follow up activities, Recommendations for improvement and strengthen of effectiveness of the internal control system were also given by the audit , Copies of internal audit reports were issued to the Auditor General too.
(b) The Chief Accounting Officer should ensure that annual and other financial statements were	As mentioned above	Agreed with the audit observation.

being prepared within required period of time and in addition to that, even though the Chief Accounting Officer should be responsible for submission of annual reports relating to the audited entity to the Parliament, this requirement had not been fulfilled.

- (c) The Chief Accounting Officer should ensure that replies were being presented to the all audit queries as necessary as to the Auditor General within specific period of time. However replies had not been presented to 43 audit queries.
- As mentioned above. Agreed with the audit observation.

#### 1.6.8 Non Compliance with Laws, Rules and Regulations

Instances of non-compliance with laws, rules and regulations observed in sample audit tests are described below.

<b>Observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
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<b>Reference to laws, rules and regulations</b>	<b>Non Compliance</b>	
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(a) Article 149 of the Constitution of Democratic Socialist Republic of Sri Lanka.	A sum of Rs.120 million received from the sale of 31,572 liters of blood plasma which had been collected in excess by the National Blood Transfusion Service had not been credited to the state revenue. Instead, it had been credited to the National Blood Bank Development Fund conducted under the National Health Development Fund	Funds received from sale of excess blood plasma should be credited to the State Revenue. Agreed with the audit observation.

- (b) Paragraph 4.1 of the Government Expenditure Management Circular of the President Secretariat No. CA/1/17/1 dated 14 May 2010.
- (i) Exceeding the entitled limit of vehicles as per the Circular, 16 motor vehicles had been reserved for the Minister and the staff and the Ministers office and 8 motor vehicles had been reserved for the Deputy Minister and the staff and the Deputy Ministers Office.
- (ii) Exceeding the entitled fuel limit, fuel valued at Rs.2 million and Rs.4 million had been issued by the Ministry to the Minister and the Deputy Minister respectively during only the year 2017.
- Actions should be taken according to the paragraph 4.1 of the Government Expenditure Management Circular of the President Secretariat.
- Vehicles were reserved to the Minister, Deputy Minister and the staff entitled for official vehicles as per the President Secretariat Circular, There were duties such as being expanding the scope of the Ministry and Hospitals more than 60 had to be operated in National and District level and there were functions, conference, and seminars, solving employees issues, Actions were taken to deploy the extra vehicles and issue extra fuel with the proper approval as per the instructions of the Ministers when deployed officers in such duties.
- (c) Public Administration Circular No. 03/2017 dated 19/04/2017 and the Letter of the Deputy Secretary to the Treasury No. DMS/0016 dated 12/05/2017.
- The Ministry had purchased 224 finger print machines incurring a sum of Rs.32 million during the year 2017 and before. However those machines had not been used even up to 31 May 2019. Although the Deputy Secretary to the Treasury had informed that, if the finger print machines were
- Actions should be taken as per the Public Administration Circular and the letter of the Deputy Secretary to the Treasury.
- Agreed with the audit observation.

not used, over time payments should not be paid according to the new salary. However overtime allowances had been paid based on the present salary.

### 1.6.9 Improper and unauthorized Transactions

The Ministry had made the following transactions without the authority.

<b>Audit Issue</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
<p>(a) The following observations are made in connection with the procurement of lease the canteen of the Kurunegala General Hospital</p> <p>(i) Although the procurement of lease of the canteen should be done by the hospital, it had been done by the Welfare Society of the hospital and it had been leased to a person who had agreed to pay a sum of Rs.621,000 as the monthly rental on 20 April 2015. The rent income of Rs.7.45 million received during the period of one year up to 20 April 2016 since then had not been credited to the Government Revenue and instead it had been credited to an account of the Employees Welfare Society.</p> <p>(ii) Rent for the 3 months i.e. May, June and July 2016 amounting to Rs.1.86 million had not been paid by the lessee for crediting welfare society or the Government Revenue.</p>	<p>Actions should be taken by the Disciplinary Authority as per the section 8.1 and 8.2 of the chapter XLVII of the establishment Code in respect of the officers who were responsible for allowing external parties to obtain the income generated from the Government assets and the officer who were responsible for writing off the outstanding income without a proper approval.</p>	<p>Not agreed with the audit observation, Instructions were given to pay the money to the hospital which was received from the canteen to the Welfare Society. Canteen owner had not taken actions to pay the outstanding amount of money up to now. There was no other alternative than recovering money because the contractor was not appointed by the hospital, it was not entered into an agreement and any asset of the contractor was not under the custody of the hospital. The possibility to pay deducting 20 per cent of the outstanding amount was inquired having a discussion with him, The Department of Valuation had assessed the canteen in the year 2018 to a monthly market rental of Rs.60,000 thus a rent more than that amounting to Rs.125,000 was recovered since June 2017.</p>

(iii) According to a request made by the lessee for reducing the monthly rental, outstanding monthly rental had been recovered reducing up to Rs.125,000 on a recommendation of headed by the Deputy Director of the hospital. However approval of the Secretary to the Ministry had not been obtained in this regard. Hence actions had been taken to write off the revenue receivable to the Government during the period of 16 months from June 2017 to September 2018 by Rs.7.94 million without a proper approval.

- (b) The following observations are made in connection with the procurement of lease the canteen of the Jaffna Teaching Hospital
- (i) The main canteen of the hospital had been leased at a monthly rental of Rs.240,450 for the year ended 31 December 2015. The Director of the Hospital had taken actions to extend the contract to a period of 4 months without obtaining the approval of the Procurement Committee. The lease rent and electricity bills relating to the said period had not been paid by the lessee to the hospital and the outstanding amount as at 10 March 2019 the date of audit was Rs.667,347. Legal actions could not be preceded due to the facts that the lessee was dead by that date and actions had not been taken to enter a written agreement as to be covered the additional period.
- (ii) This canteen had been leased at a
- Disciplinary actions should be taken by the Disciplinary Authority as per the section 8.1 and 8.2 of the chapter XLVII of the establishment Code in respect of the officers who were responsible for loss occurred to the Government due to extension of lease period without an approval of the procurement Committee and without entering in to a written agreement properly.
- Agreed with the observation.

monthly rental of Rs.291,000 for the year ended 30 June 2017. The period of lease had been extended by the Director of the hospital for 3 months without the approval of the Regional Procurement Committee and for another 3 months with the approval of the Regional Procurement Committee. Conditions relating to absence of payments had not been included to the lease agreement. In a ground of remaining outstanding rent instalments over a period more than 6 months, the period of lease being extended and lease being made without a legally valid agreement, the value of outstanding lease instalments and the electricity bills was Rs.1.9 million as at 10 March 2019.

(iii) The canteen building had been demolished in January 2018 and a new building for the main canteen had been constructed incurring a sum of Rs.3.53 million. Procurement notice for leasing out the new main canteen had been published only in three Tamil newspapers which were published in Jaffna. The opportunity for leasing in a high rate had been lost due to the advertisements not being published in Sinhala and English newspapers.

(iv) Although the first highest bid of Rs.310,000 had been withdrawn by the bidder, the bid bond of Rs.50,000 had been released without taking actions to credit

to the Government Revenue.

- (v) According to the primary bid conditions, even though the place of preparation of food should be within 10 km from the hospital premises, the bid had been awarded to the bidder who had submitted the second highest bid of Rs.123,000 and had not fulfilled the requirement mentioned above.
- (vi) The new canteen had been leased to a less amount such as Rs.123,000 without considering that the lease rent of the old canteen building was Rs.291,000 in the year 2017 and the canteen had been newly constructed attractively by incurring a sum of Rs.3.53 million.
- (c) The Cabinet approval had been obtained on 05 July 2017 to take over the Dr. Nevil Fernando Sri Lanka Russia Friendship Hospital Malabe to the Government considering the Cabinet Memorandum presented for coming into an agreement to transfer the Physical possession of the property including the buildings of the said hospital to the Government of Sri Lanka for 10 years under the sub lease basis, to remain the possession and the legal right of the said property with the SAITM until complete the payment of loan which had been obtained by the SAITM from a State bank amounting to Rs.1,013 million for the
- According to the first Cabinet Decision, immediate actions should be taken to enter into a sub-lease agreement.
- Not agreed with the observation, In addition to the Cabinet Memorandum dated 05 July 2017, two cabinet memorandums had been submitted to the Cabinet and informed the Cabinet in two instances on the changes of the prevailing situation, This hospital had been taken over on 07 August 2017, A sum of Rs.40 – 50 million had been incurred monthly for the expenses of the hospital, Operational expenses of the hospital had been incurred according to the Cabinet Decisions mentioned above ,

establishment of the hospital and to transfer the right of the hospital and the value of all property to the Government of Sri Lanka after completing the loan payment.

Although a period more than two years had lapsed after receiving the approval, actions had not been taken to enter into a sub-lease agreement to take over the physical possession of the property including the building of the hospital to the Government. A sum of Rs.583 million had been spent by the Ministry to settle the recurrent expenditure of the hospital during the period from 01 August 2017 to 31 December 2018 without entering into a sub-lease agreement.

as per the provisions made by the annual estimates, supervision and administration of the General Treasury only. Initial steps were completed for transferring the assets.

- (d) Contrary to the terms of the paragraph 1.1 of Chapter XXVIII of the Establishment Code of the Democratic Socialist Republic of Sri Lanka, and the provisions of Public Administration Circular No. 09/2009 dated 30 May 2006, a general Circular had been issued by the Secretary to the Ministry. Although general administration activities had been carried out by the Ministry based on that Circular, the overtime allowance of one or two hours per day which can be paid only to the medical officers who had directly engaged to the clinical services had been paid to the medical officers who had not engaged directly to the clinical services. The allowances paid only for 6 months of the year 2018 were Rs.6 million. Medical officers who had obtained the said allowance had not used the finger print machines for arrival and departure of the Public officers as mentioned in the Public Administration Circular 03/2017 dated 19 April 2017 read in
- Actions should be taken as per the provisions of the Establishment Code of the Democratic Socialist Republic of Sri Lanka and the Public Administration Circulars.
- Agreed with the audit observations. Although it was engaged with general administration activities relating to the health service of the various sections of the Ministry head office, payment of overtime allowances for the lunch hour which had been paid to the medical officers who had not engaged with clinical services directly had been suspended since May 2019.

conjunction with Section 1.3 of the Chapter XXVIII of the Establishment Code. Instead of that, overtime allowances had been paid based on the attendance records mentioned in a diary which was signed by a supervise officer only once in a month.

- (e) A sum of Rs.5 million had been collected to an account in favor of the Director General of Health Services including 3 million from 4 Government Institutions for conducting a ceremonial function to the Minister of Health Nutrition and Indigenous Medicine and a sum of Rs.7 million had been incurred for the said function without any authority.
- The procurement for event management of the said function had been done; contrary to the Government Procurement Guideline and targeting a specified institution and the procurement had been awarded based on fraud documents submitted by the institute of which the lowest bid of Rs.6 million was submitted.
- Collecting money and spending money should not be done without an authority and purchasing and supplying of services should be carried out comply with the procurement process.
- Not agreed with the audit observation and recommendation as a whole. The appointment of the Minister to the position of the Deputy Chairman of the 143 Executive Board of the World Health Organization was resulted to the improvement of the health sector. International recognition and relationships building up internationally will promote the health sector , In order to aware the general public in this regard and to express the honor to the Minister for the role played so far to uplift the health sector of Sri Lanka , this function was organized and conducted by the Sri Lanka Representative office of the World Health organization and the Trade Union Federation. Budgeted allocations were not made in this regard, Hence the financial assistance of the affiliated institutions was obtained, and It was allowed to be promoted the affiliated Government Institutions. Quotations for event management were done by the Trade Union Federation of which the function was organized. Procurement was

awarded to the institute of which the lowest bid was submitted.

- (f) The agreement entered into between the Secretary to the Ministry and the supplier who had been selected for supply of security service to the District General Hospital Chilaw for the period from 01 September 2016 to 31 August 2017 had been signed on 04 January 2017. However security service had been supplied by the relevant contractor before 4 months to sign the agreement. The period of the contract had been extended only up to 28 February 2018. Nevertheless the service had been supplied by the same contractor as at 02 April 2018.
- Actions should be taken to stop awarding contract before signing the agreements and obtaining services after expiring agreements and to act with transparency and to keep documents to prove it.
- Agreed with the audit observation.
- (g) Although the number of approved and actual posts of telephone operator to the National Blood Transfusion Service was 03, the 3 officers who held that position had been temporary released to the Ministry of Mahaweli Development and environment and to the President Secretariat Office In January and March 2015. However, a sum of Rs.4 million had been paid by the National Blood Transfusion Service as salaries and monthly allowances of the said 3 officers for the period from January 2015 to December 2018.
- Actions should be taken to release permanently.
- Agreed with the audit observation.
- (h) Although construction of new maternity hospital had been commenced under the aid of the Helmut Khol Fund of Germany instead of the maternity hospital of Galle Mahamodara which had destroyed by the Tsunami in the year

2004, the said construction had been discontinued and after that a sum of Euro 28 million had been obtained as a loan from the Punarnirmanee Bank of Germany(kfw) for rest of the construction and purchasing necessary equipment. The following matters were revealed in this regard.

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| <p>(i) The consultancy fees had been increased in 3 instances up to Euro 3 million by 152.59 per cent due to the change of the scope of the Project and extension of the contract period. Approval for increasing from Euro 2 million to Euro 3 million in the third instance had not been obtained even up to 15 November 2018.</p>   | <p>It should be confirmed whether the consultancy fees had been increased comparatively with the changes of the scope.</p> | <p>Agreed with the audit observation.</p> |
| <p>(ii) Although the payments made to the Consultancy Company should be subjected to the direct supervision of the Ministry, a sum of Euro 2 million paid to the Consultancy Company for the period from the year 2013 to the 15 November 2018 including advance of Euro million 0.2 had been directly referred to the Punarnirmanee Bank without submitting for the approval of the Ministry.</p> | <p>Actions should be taken to avoid the payments without the approval as per the Financial Regulation 137.</p>             | <p>Agreed with the audit observation.</p> |
| <p>(iii) In a ground of conducting the office of the Consultancy Company in the hospital premises, a sum of Euro.0.08 million had been paid as office rent up to November 2018.</p>  | <p>Overpayment should be recovered.</p>  | <p>Agreed with the audit observation</p>  |

### 1.6.10 Transactions Fraud in Nature

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Details relating to the transactions fraud in nature observed in sample audit are given below.

<b>Audit Issue</b>	<b>Recommendation</b>	<b>Comments of the Chief accounting Officer</b>
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(a) A person who was not a government official and who had not been appointed as an officer of the Ministerial staff and who had acted falsely as the Media Secretary, Event Organizer and Event Coordinator of the Ministerial staff had been participated to a Conference held in New York city in United State Of America on 26 and 27 September 2018 and to a Conference held in Switzerland from 01 October 2018 to 06 October 2018. A sum of Rs.1,173,045 had been incurred by the Ministry including Rs.487,500 for his air tickets and Rs.685,545 as incidental and combined allowances.	Disciplinary actions should be taken by the Disciplinary Authority as per the section 8.1 and 8.2 of the chapter XLVII of the establishment Code in respect of the officers who were responsible for the said matter	Agreed with the audit observation
(b) The following matters were revealed in connection with supplying of processed food material and making payment thereon by the Sri Lanka National Hospital for the year 2016/2017.	An independent and proper investigation should be carried out in this regard and disciplinary actions should be taken by the Disciplinary Authority as per the section 8.1 and 8.2 of the chapter XLVIII of the establishment Code in respect of the officers who were responsible for the said matter.	Agreed with the audit observation.
(i) A nutritionist with knowledge of nutrition supplement had not been appointed to the Technical Evaluation Committee appointed for the said Procurement.		
(ii) A sum of Rs.1,390 per sachet had been paid to 23,304 sachets to the supplier who had submitted a bid of Rs.1,390 per an impact nutritional supplement container included 05 sachets of 74 grams . Hence a		

sum of Rs.25.91 million had been overpaid.

- (iii) The normal retail market price of a 74 grams sachet of impact nutritional supplement was Rs.365. However due to the fact that payments had been made to 23,304 packets as Rs.1,390 per packet, a sum of Rs.23.89 million had been overpaid more than the normal retail market price.
- (iv) The supplier had agreed to supply high strength high protein nutritional supplements i.e. Pentasure 2.0 and Pentasure Renal for Rs.1,060 and Rs.839 respectively. Instead a sum of Rs.1,390 and Rs.1,100 respectively had been paid thus a sum of Rs.280,833 had been overpaid.
- (c) Letters had been exchanged with the District Secretary Jaffna by the Director of Jaffna Teaching Hospital and the Hospital Development Association for purchasing a land to establish an ophthalmic unit for the hospital. According to the said letters, it had been confirmed that purchasing a land was an expectation of a Non- Government organization namely Jaffna Teaching Hospital Development Association. Exceeding the authority of a District Secretary and a Director of a Hospital and without any authority or approval, Government Fund of Rs.12.5 million had been transferred by the District Secretary to the hospital for purchasing the land and after that, it had been transferred by the Director of the hospital to the Hospital Development Association.
- An independent and proper investigation should be carried out in this regard and disciplinary actions should be taken by the Disciplinary Authority as per the section 8.1 and 8.2 of the chapter XLVII of the establishment Code in respect of the officers who were responsible for the said matter.
- Agreed with the audit observation.

The land had been purchased by the Hospital Development Fund by the name of the said Association by paying Rs.12 .5 million. Instead of paying money directly to the land owner for purchasing the land, the improper manner of the transaction had been suppressed by paying money indirectly.

Before releasing money by the District Secretariat Office for purchasing the land, it should be satisfied with the fairness and the transparency of the transaction confirming the history of the land by checking the title and obtaining the plan of the land and the estimated value of the land. However actions had not been accordingly.

After the date purchased the land of 02 August 2011, the assessment report had been issued on 19 September 2011 as value of the land as Rs.14 million in order to provide the value expected by the land owner to him.

Further, even though the said land had been assessed as considering the land as a land with commercial value, there was no commercial value according to the location of the land.

## 2. Financial Review

### 2.1 Imprest Management

The following observations are made.

<b>Audit Issue</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
(a) Although the requirement of imprest for the year under review as planned was Rs.172,286 million, imprest of Rs.153,363 million only had been issued by the Treasury. The provisions made by the Parliament could not be utilized as planned due to imprest amounting to Rs.18,923 million not being issued.	Imprest should be requested according to an accurate and realistic plan.	Agreed with the audit observation.
(b) The total balance of 2 imprest accounts maintained by the Ministry as at 31 December 2018 was Rs.285 million. Out of that, the unsettled balance even up to 10 May 2019 the date of audit was Rs.85 million. A sum of Rs.362,702 unsettled since the year 1997 relating to the Baticaloa Teaching Hospital was included in the said balance.	Actions should be taken as per the Financial regulation 373.	Agreed with the audit observation.
(c) According to the Treasury computer printouts, an unidentified debit balance of Rs.1,222 million and an unidentified credit balance of Rs.89,043 had been brought forward in 2 imprest accounts.	Actions should be taken to identify the balances which had not been identified and settle immediately.	Agreed with the audit observation.

## 2.2 Expenditure Management

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It was confirmed according to the following observations that, accurate and realistic estimates had not been prepared as per the Financial Regulation 50.

<b>Audit Issue</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
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(a) The total provision of Rs.1,415 million provided under the annual budget estimate for the year 2018, as Rs.31 million and Rs.1,384 million for 2 recurrent expenditure codes and 8 capital expenditure codes respectively had been transferred to other expenditure codes through the Financial Regulation 66.	According to the provisions of the Financial regulation 50, accurate and realistic estimates should be prepared.	Agreed with the audit observation.
(b) In addition to obtain provision of Rs.1,448 million for 33 new capital expenditure codes through supplementary estimates, provision of Rs.928 million had been transferred through Financial Regulation 66.	As mentioned above	Agreed with the audit observation.
(c) The total provision of Rs.1,945 million provided under the annual budget estimate for the year 2018, as Rs.48 million and Rs.1,897 million for 5 recurrent expenditure codes and 11 capital expenditure codes respectively had been increased by 100 per cent to 691 per cent through the Financial Regulation 66.	As mentioned above	Agreed with the audit observation.
(d) The total net provision of Rs.2,354 million provided for 27 capital expenditure codes including 8 new expenditure codes made provision through supplementary estimates and 4 new expenditure codes made provisions through the Financial Regulation 66 had been completely saved.	As mentioned above	Agreed with the audit observation.
(e) Out of the total net provision of Rs.7,345 million provided for 59 capital expenditure codes, provision of Rs.5,490	The period of time which the activities can be commenced	Agreed with the audit observation.

million had not been utilized. The said savings had remained in the range of 50 per cent to 99 per cent of the net provision.

should be determined and provisions should be made for the amount of work which can be fulfilled.

- (f) Out of the additional provision of Rs.2,456 million made for 15 capital expenditure codes through the Financial Regulation 66 and supplementary estimates, provision of Rs.2,110 had been saved. The percentage of the said savings had remained in a range of 50 per cent to 100 per cent of the additional provisions.
- According to the provisions of the Financial regulation 50, accurate and realistic estimates should be prepared.
- Agreed with the audit observation.

### 2.3 Incurring of Liabilities and Commitments

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The following observations are made.

Audit Issue	Recommendation	Comments of the Chief Accounting Officer
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(a) Contrary to the Financial Regulation 94 (1), it had been entered into commitments of Rs.25,738 million, exceeding the savings after utilizing the provision made for 36 expenditure codes. It had been entered into commitments amounting to Rs.233 million under the 25 expenditure codes which had not been approved for the Head 111.	According to the Financial Regulation 94 (1), except where otherwise provided for, expenditure or commitments should not be incurred by any Department for work, service or supply.	Agreed with the audit observation.

- |     |   |   |                                    |
|-----|---|---|------------------------------------|
| (b) | Contrary to the terms of the section (b) of the Public Accounts Circular No.255/2017 dated 27 April 2017, after receiving the supplies or services relating to the commitments, amounts payable and the value of certified work relating to contracts which had been entered into agreements had not been entered as a liability . Instead of that, total commitments as at 31 December 2018 amounting to Rs.2,267 million had been shown as liabilities. | Actions should be taken as per the provisions of the Public Accounts Circular.  | Agreed with the audit observation. |
| (c) | Liabilities as at 31 December 2018 had been understated by Rs.78 million in the statement of commitments and liabilities.   | Actions should be taken to recognize the liabilities and commitments correctly. | Agreed with the audit observation. |

#### 2.4 Issuing and settling Advances

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The following observations are made

<b>Audit Issue</b>	<b>Recommendation</b>	<b>Comments of Chief Accounting Officer</b>
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(a) According to the Financial Regulation 371 (5), although ad hoc sub imprest obtained should be settled within 10 days after completing the work, total amount of ad hoc imprest amounting to Rs.22.5 million issued in 565 instances during the year under review had been settled in a delay of a period ranging from 01 month to 12 months after the work completed. Ad hoc sub imprest amounting to Rs.15.47 million issued in 415 instances had not been settled even as at 15 February 2019.	Ad hoc imprests should be settled as per the Financial Regulation. A methodology of recovering fines for delays should be introduced.	Agreed with the audit observation.
(b) Ad hoc sub imprest of Rs.344,334 issued in 15 instances had been	As mentioned above	Agreed with the audit observation.

remained in hand without using for the intended purpose in a period ranging from 03 days to 46 days.

- |     |   |   |                                    |
|-----|---|---|------------------------------------|
| (c) | Out of ad hoc sub imprests amounting to Rs.9 million issued in 221 instances, a sum of Rs.2 million saved after the work completed had been settled in a delay of 10 days to 307 days.  | As mentioned above  | Agreed with the audit observation. |
| (d) | A sum of Rs.4 million issued as fuel and other advances during the period from the year 2015 to the year 2017 had not been settled even as at 07 January 2019 the date of audit.  | As mentioned above  | Agreed with the audit observation. |
| (e) | Out of the advances issued to the Directors of Provincial Health Services during the period from the year 2015 to the year 2018 for various capital expenditure, a sum of Rs.176 million had not been settled even as at 07 January 2019. | Actions should be taken to settle the advances as soon as the work completed and follow up actions should be carried out. | Agreed with the audit observation. |

## 2.5 Deposits Balances

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The following observation is made.

<b>Audit Issue</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
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The total of the balances of 7 General Deposits Accounts under the Ministry as at 31 December 2018 was Rs.1,442 million. Actions had not been taken as per the Financial Regulation 571 in connection with deposits amounting to Rs.80 million exceeded 2 years period. Further half yearly schedules of balances and time analysis had not been prepared for the deposits amounting to Rs.921 million.	Actions should be taken as per the Financial Regulation 571.	Agreed with the audit observation.

## 2.6 Operation of Bank Accounts

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The following observation is made.

<b>Audit Issue</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
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According to the bank reconciliation statements presented as at 31 December 2018 relating to 74 bank accounts operated in the year 2018 by the Ministry, actions had not been taken into accounts direct payments of Rs.123 million paid in 26 instances relating to 12 bank accounts, direct receiving of Rs.16.34 million received in 27 instances relating to 15 bank accounts even up to 26 March 2019. Seventeen cheques valued at Rs.792,952 relating to 7 bank accounts out of the said 74 bank accounts had not realized since a period of 01 to 12 months. Actions had not been taken as per the Financial regulation 396 (d) in connection with 98 cheques valued at Rs.4 million which had been issued but not presented to the bank relating to 19 bank accounts.	Actions should be taken to recognize the unrecognized receiving and taken them in to accounts and actions should be taken as per the Financial Regulation 396 in connection with cheques issued but not presented more than 6 months.	Agreed with the audit observation.

## 3. Operational Review

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### 3.1 Planning

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Deficiencies in planning according to the Public Accounts Circular No. 2014/01 dated 17 February 2014 are given below.

<b>Audit Issue</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
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(a) An amended action plan had not been prepared including the physical and financial targets proposed to be fulfilled relating to 10 new expenditure codes of which the provisions of Rs.835 million had been made from Supplementary Estimates and Financial	An action plan and the progress report should be prepared as to be able to compare.	Agreed with the observation

Regulations 66.

- (b) Activities which had not been implemented as per the Annual Action Plan and expenditure codes which had been transferred to other expenditure codes had not been included in to the Evaluation Report for Annual Action Plan. Hence the progress of the entire action plan could not be identified. -do- Agreed with the observation.
- (c) Posts relating to financial, internal audit and administration sections of the Ministry had not been included in to the Organization Structure presented with the Annual Action Plan. Organization structure should be prepared including all sections of the Ministry. Agreed with the observation.

### 3.2 Functions not being fulfilled

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The following observation is made.

#### Audit Issue

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According to the action plan prepared for the year under review, 10 capital projects of which the total provision of Rs.785.6 million had been made had not been included into the action plan whilst, 17 capital projects of which the provision of Rs.1,568.4 million had been made, had not been implemented. Delays in prior procurement activities had affected to most of them.

#### Recommendation

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Procurement activities should be completed as per a proper plan and a time table in order to get the maximum benefit of the provisions made.

#### Comments of the Chief Accounting Officer

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Agreed with the observation.

### 3.3 Delays in fulfilling Projects

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The following observations are made

<b>Audit Issue</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
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(a) It had been planned to construct Accidents and Emergency Treatment Units in 14 hospitals under the local funds. Constructions activities had not been commenced in 4 hospitals even up to 31 December 2018. The following observations are made in this regard.		
(i) An accident and emergency treatment unit had been scheduled to construct in the Kamburugamuwa hospital at the engineering estimate of Rs.379 million approved on 31 January 2015. Although it had been proposed to construct the said unit at General Hospital Matara by changing the project plan, it had not been come to a final decision.	Actions should be taken to fulfill the projects within the scheduled period of time by preparing plans properly.	Agreed with the observation and actions are being taken to resolve and update the situation.
(ii) Although procurement activities of the accident and emergency treatment unit of the Ampara hospital at the engineering estimate of Rs.472 million approved on 02 September 2015 had been commenced in the year 2016 , it had not been completed even as at 31 December 2018.	As mentioned above	Agreed with the audit observation and accident and emergency treatment unit had been decided to construct at the Mathara hospital
(iii)The contract for construction of the accident and emergency treatment unit of Mulleriyawa Base Hospital of which the engineering estimate had been approved on 25 March 2015 for a sum of Rs.448 million and the contract value of Rs.334 million had been awarded on 01 August 2017. However the construction site had not been handed over to the contractor because the changes of the proposed construction site and legal actions for transferring	As mentioned above.	Agreed with the audit observation and even though the estimates had been changed in several times, actions had been taken for the time being to obtain the approval of the Cabinet for design and construction.

the land had not been completed even up to 31 December 2018.

- |   |  |   |
|---|--|---|
| (iv) The contract for construction of the accident and emergency treatment unit of Gampola Base Hospital of which the engineering estimate had been approved on 13 October 2015 for a sum of Rs.306.5 million and the contract value of Rs.267.6 million had been awarded on 20 September 2017. However, even though approval had been requested subsequently from the Cabinet to amend the project plan, it had not been received even up to 31 December 2018. | As mentioned above.  | Not commented.  |
| (b) Although the project for construction of a new building for 04 theaters and intensive care unit of District General Hospital Chilaw should be completed and handed over on 30 May 2017, it had not been completed even as at 25 May 2019 and liquidated damages had not been recovered.   | Actions should be taken in a proper supervision in order to get completed the work as per the contract agreement and liquidated damages should be recovered. | Agreed with the audit observation. This project was started under the Cabinet Approval based on an immediate decision taken at an event of inspection duty in Chilaw hospital. Considering the matters arisen in handing over the site, as soon as the work began and instances of bills presented and deficiencies of the cash flow and payments, the date for completion of work was extended up to 30 September 2019 to the State Development and Construction Corporation, There was a 75 per cent physical progress at the time and actions will be taken to recover the liquidated damages if there will be a further delays after 30 September 2019. |

### 3.4 Annual Performance Reports

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The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Chief accounting Officer</b>
----- According to the Public Finance Circular No. 402 dated 12 September 2002, even though the performance report for the year under review should be tabled in the parliament by the Ministry within 150 days after the close of the financial year, annual performance report for the year 2016 had not been tabled in the Parliament.	----- Actions should be taken as per the Public Finance Circular.	----- Agreed with the audit observation.

### 3.5 Foreign Aid Projects

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The following observation is made.

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Chief accounting Officer</b>
----- The loan agreement valued at Saudi Riyal 75 million or US\$ 20 million (approximately Rs.3,000 million) for construction of an Epilepsy hospital in the National Hospital of Sri Lanka and epilepsy health centers in 9 province had been signed on 26 March 2008 .As per the loan agreement , the project should be completed on 31 December 2009. The following observations are made in this regard. (i) Although only the epilepsy hospital had been constructed after a delay of 8 years, construction of health centers of 9 provinces had not been even commenced. (ii) Contrary to the loan agreement, amount of loan approved for the construction of health epilepsy centers of 09 provinces had been incurred only for the construction of the epilepsy hospital.	----- Actions should be taken as per the project agreement.	----- Not agreed with the audit observation, Even though the proposals for construction of health centers in 9 province of the Island had been included as per the loan agreement, estimates for the said purpose had not been included in the loan agreement thus the said constructions had not been carried out, additional funds had been requested due to insufficiency of funds given for purchasing of equipment necessary for the epilepsy unit.

- (iii) It had been entered into an additional loan agreement for obtaining Saudi Riyal 45 million represented US\$ 12 million (approximately Rs.1,800 million) from the Saudi Development Fund on 30 October 2015 for construction of 09 epilepsy health centers. However contrary to the conditions of the loan agreement the said amount of loan had been incurred for purchasing diagnostic medical imaging equipment for the epilepsy hospital constructed in the National hospital without incurring for construction of health centers.

### 3.6 Procurement

The following observations are made.

#### Audit Issue

#### Recommendation

#### Comments of the Chief Accounting Officer

- (a) The lowest bid submitted for supplying, installation testing and operating of Pet CT Scanner for Maharagama Apeksha Hospital was Rs.156 million. The contract had been awarded to the bidder who had submitted second and highest amended final bid of Rs.192 million. A sum of Rs.179 million had been paid to the contractor up to 30 March 2018 for this procurement. The following observations are made in this regard.

- (i) According to the Guideline 5.4.5 of the Procurement Guideline, even though value not over than 30 per cent of the value of letter of credit can be paid as an advance on an acceptable guarantee, contrary to the said requirement, letter of credit had been opened at the value of 80 per cent of the value of Pet CT scanner in favor of the parent company.

Actions should be taken as per the provisions of the Government Procurement Guideline.

Agreed with the audit observation. Guideline 5.4.5 of the Procurement Guideline is relevant in the instances of purchasing equipment locally; No any condition was mentioned in it for paying advances in instances of importation of equipment through opening letter of credits. Twenty per cent of the value of letter of credit were retained and released after

confirming whether the machine was fit for the requirement and properly operated.

- (ii) The country origin certificate of the Pet CT Scanner supplied to the hospital by the supplier and the clearance documents which had been submitted to the harbor and the bank had not been submitted to audit. Therefore it could not be confirmed that the machine supplied was a new product of the parent company of United States of America.
- Relevant documents should be submitted.
- Not agreed with the audit observation and the relevant documents were supplied to audit.
- (iii) Funds for purchasing the said machine had been collected by a personnel organization which had not been registered in the Department of Social Service as a charity organization and funds collected had been credited to a savings account namely National Health Development Fund. However prior approval in this regard had not been obtained from the Secretary to the Ministry and the National Health Development Fund.
- Prior approval should be obtained.
- Not agreed with the audit observation and relevant approvals were obtained.
- (iv) The personnel organization had only coordinated the advertising through a television channel in this regard and any fund had not been donated. Nevertheless Ministry officials had been pressurized for the procurement activities and it had been commented for the
- As mentioned above.
- This machine was purchased according to the Cabinet Decision made for Cabinet Memorandum submitted for purchasing of the said machine from the Dimo.

specifications of the machine.

- (v) At present the personnel organization carries out their activities using the letter heads under the name of Fight Cancer Trust (Guarantee) Ltd. It should be paid attention whether they had improper authority for collecting public money. Immediate actions should be taken to cancel the authority given to external parties for collecting public money. Not commented.
- (b) Based on the Guideline 3.9 of the Government Procurement Guideline, all constructions contracts less than Rs.2 million of the Jaffna Teaching Hospital had been awarded to the Jaffna Hospital Development Association considering it as a community based organization. The following observations are made in this regard. Disciplinary actions should be taken by the Disciplinary Authority as per the Sections 8.1 and 8.2 of the Chapter XLVII of the Establishment Code in connection with the regional procurement committee of the Jaffna Teaching hospital and the officers who should responsible for taking actions under a wrong definition to the Guideline 3.9.1 of the Government Procurement Guideline and exceeding the authorized limit contrary to the conditions of the Government procurement Guideline. Agreed with the audit observation.
- (i) Contrary to the Guideline 3.9.1 and 3.9.2 of the Government procurement Guideline, Jaffna Hospital Development Association had been awarded 310 contracts at the total value of Rs.170 million during the period from the year 2016 to the year 2018. However the said organization had been registered as a Non-Government Organization and only 6 medical Consultants of the Jaffna Teaching Hospital had held the membership. Further it could not be considered as a Community Based Organization and it had not been registered in grade M 8 or in a grade higher than it of the Institute of Construction Training and Development (ICTAD).
- (ii) According to the above mentioned Guideline, actions had not been taken to obtain the recommendation of a committee consisted with 2 members appointed by the Divisional Secretariat and the Head of the Department and to satisfy the

capacity of the Hospital Development Association.

- (iii) Contrary to the 3.9.1 of the Government Procurement Manual all 310 contracts awarded to the Jaffna Hospital Development Association had been awarded as sub contracts to the Hospital Welfare Association which had been chaired by the Director of the Hospital.
- (iv) The said Hospital Welfare Association which had been obtained the sub contract in such a way , all 310 contracts had been completed deploying employees at personal level because the said Association had not been registered in the Institute of Construction training and Development and they had not any prior contract experience and they had not professionals in the relevant field.
- (v) Any written document had not been maintained by the Hospital Welfare Association in connection with raw materials and labor cost.
- (vi) Although payments should be made on the actual amount of work measured , instead bills had been prepared as to be matched with the estimated amounts and rates prepared by the Central Engineering Consultancy Bureau ( CECB) and payments had been obtained by the Hospital Welfare Association presenting bills through the Hospital Development Association.



As a result, conflict of interest had been occurred due to absences of transparency.

- (xi) The total of retention money payable as at 13 March 2019 relating to the contract awarded to the Hospital Development Association was Rs.9.56 million. However according to the audit observation mentioned above, actions can be taken to credit the retention money to the Government revenue due to the Hospital Development Association had not acted as an actual contractor.

- (c) The following observations are made in connection with leasing of the places of buildings of the Jaffna Teaching Hospital.
- Disciplinary actions should be taken by the Disciplinary Authority as per the Sections 8.1 and 8.2 of the Chapter XLVII of the Establishment Code in connection with responsible officers. Agreed with the audit observation.
- (i) Without following the procurement process mentioned in the Government procurement Guideline, 8 places of hospital buildings of the Jaffna Teaching Hospital had been leased to the Welfare Society. Out of that 05 places had been leased to the private parties by the Welfare Association and earned income. As a result a total income of lease rent amounting to Rs.4.21 million had lost to the Government because the lease rent income receivable to the hospital had been allowed to recover to the Welfare Society.
- (ii) Although monthly income in a range of Rs.30,000 to 300,000 had been earned by the Welfare Society from the businesses carried out in the 03 places rest, any

income had not been received to the Government.

- (iii) Further 2 building places had been released to the Jaffna Hospital Development Association and Jaffna branch of the Government Medical Officers Association. Although they had earned income through sub lease, any income had not been received to the Government.

### 3.7 Assets Management

The following observations are made

Audit issue	Recommendation	Comments of the Chief accounting Officer
(a) A machine which can be carried out MRI Scans small children had been issued to the Kandy General Hospital by the Bio Medical Engineering Service Section on 23 July 2013. Facilities necessary for the machine such as oxygen and nitrogen oxide had not been supplied even up to 06 August 2018. As a result small children had to be brought to the Sirimawo Bandaranayaka Special Children's Hospital or to the Lady Ridgeway Children's Hospital for MRI scans of small children who need to be anesthetized and tested.	Actions should be taken to supply the requirements need to be utilized the machine completely.	Bids were called for supplying oxygen and nitrogen oxide for MRI scans of small children who need to be anesthetized and tested and financial provisions were requested in this regard.
(b) Two infant incubators received to the Teaching Hospital Peradeniya by the Bio Medical Engineering Section on 21 May 2014 had been remained in wards without being utilized due to inability to repair.	Actions should be taken to repair and maintain the assets in time.	Agreed with the audit observation.
(c) The Digital X- Ray machine issued to the Kegalle Teaching Hospital on 15 October 2018 had not been utilized even up to 31 December 2018 due to	Actions should be taken to install the machine.	Agreed with the audit observation.

unavailability of facilities for installation of the machine.

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|-------|--|--|---|
| (d)   | Although building facilities had been provided in the General Hospital Kegalle to conduct a branch of Bank of Ceylon, rent had not been recovered in this regard.  | Actions should be taken to enter in to an agreement and to recover a reasonable rent and to credit it to the Government Revenue. | Agreed with the audit observation.  |
|       |  |  |   |
| (e)   | ICP MS system with accessories had been purchased in the year 2016 incurring a sum of Rs.28 million through the procurement process for testing heavy metals in water and food that cause kidney disease in Anuradhapura and other selected few districts of which kidney disease spread severely. The following observations are made in this regard. |  |   |
|       |  |  |   |
| (i)   | Although the ICP MS system had been installed in the Food Quality Control Unit Anuradhapura on 17 August 2017, it was underutilized as at 25 May 2019.   | A proper methodology for operating the system continuously should be identified and implemented.                                 | Lack of staff necessary for operating the ICP MS system was affected to this situation. |
|       |  |  |   |
| (ii)  | Approximately 200 samples of water or food can be tested by this system per day. However the total number of samples received during the period of 11 months from 01 January 2018 was 321 including 35 water samples and 286 food samples. Nevertheless, total of 87 samples only including 10 water samples and 77 food samples had been tested.      | As mentioned above.  | As mentioned above.   |
|       |  |  |   |
| (iii) | The unit of electricity used per month had increased twice compared with the consumption of electricity for the previous month of installation of the system as a  | A proper methodology for operating the system continuously should be identified and implemented.                                 | As mentioned above.   |

result of supplying air condition for the safeguard of the system. Nevertheless a proper methodology for utilizing the system continuously had not been identified. Hence it had to incur a huge amount of money for electricity.

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|--|---|---------------------|
| (iv) The objective of finding solution for the National issue of kidney disease had not been fulfilled due to the failure of continuous utilization of the system.   | Actions should be taken to fulfill the objective of the project.  | As mentioned above. |
| (v) Hundred tests can be done by a cylinder of gas supplied to the system in the capacity of 47.5 kg of Argon and 06 cylinders had been used for the period of 11 months from 01 January 2018. Even though the number of tests which can be done using the said amount of gas was 600, the number of tests carried out was 87only. | Further actions should be taken on the consumption of gas after a proper investigation. A proper methodology should be followed to control this situation | Not commented.      |
| (vi) Only the 2 officers held the post of Gourmet of the Sri Lanka Scientific Service had been referred to local and foreign training for operating this system. None of laboratory technicians had been participated for this training.   | Duties should be assigned to officers properly in order to carry out the service properly. Further sufficient number of officers should be trained.       | Not commented.      |

- (f) According to the Public Finance Circular No. 05/2016 dated 31 March 2016, after carrying out an annual board of survey for the year 2017, the said reports should be sent to the Auditor General before 15 June 2018 as per the paragraph 3.2.6 of the said Circular. Out of the 97 hospitals and institutions under the Ministry and including the Ministry, reports relating to 20 hospitals and institutions had not been presented to audit even as at 25 May 2019. Further the board of survey reports had been presented only 13 hospitals and institutions for the year 2018.
- The survey should be carried out within the time frame mentioned in the Paragraph 3.2.6 of the Public Finance Circular and actions should be taken to settle the surpluses and deficiencies recorded accordingly. Survey reports should be submitted to the Auditor General before 17 June of each year.
- Agreed with the audit observation.

### 3.8 Loses and Damages

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The following observations are made.

#### Audit Issue

#### Recommendation

#### Comments of the Chief Accounting Officer

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According to the statement of losses sent only by 34 hospitals and institutions under the Ministry out of 54 hospitals and institutions as at 31 December 2018, the value of losses and waives reported under the head 111 was Rs.645 million. Out of that, the value of losses and waives which had not been recovered or written off from the books over a period more than 5 years was Rs.23 million.

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Actions should be taken as per the provisions of the Financial Regulation 104 to109.

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Agreed with the observation

### 3.9 Uneconomic Transactions

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The following observations are made.

<b>Audit issue</b> -----	<b>Recommendation</b> -----	<b>Comments of the Chief Accounting Officer</b> -----
(a) Five air conditioned busses with 54 luxury seats had been purchased for 05 Nursing schools during the year under review incurring a sum of Rs.53 million as Rs.10.6 million per bus exceeding the financial limit of Rs.40 million approved by the Department of National Budget. Those busses had been purchased without carrying out a feasibility study and had been remained underutilized and parked at those nursing schools due to difficulties of driving on the roads of the areas of which nursing schools located, inability to enter in to the premises of nursing schools and various technical errors.	A feasibility study should be carried out before such purchasing and disciplinary actions should be taken by the Disciplinary Authority as per the Sections 8.1 and 8.2 of the Chapter XLVII of the Establishment Code in connection with officers who were responsible for underutilization of busses.	Not agreed with the audit observation. Busses were allocated for nursing schools identifying the requirement of vehicles properly. The current condition of the busses was tested deploying the Forman of transport personally, For the time being the busses are driven as per the official requirement of nursing schools.
(b) Maintenance and services of the 2 Hydroclave machines installed in the Sri Lanka National Hospital for destroying clinical wastage had been handed over to a private company. However the process of destroying wastage using those machines had been stopped 6 months prior to expire the contracted period whilst a sum of Rs.3 million had been paid in August 2016 for the period of 2016/2017. As a result a sum of Rs.1.6 million out of the said payment had become a fruitless expenditure. Further the said 2 Hydroclave machines and 2 electronic steam boiler machines attached to it had been remained idle since December 2016.	Disciplinary actions should be taken by the Disciplinary Authority as per the Sections 8.1 and 8.2 of the Chapter XLVII of the Establishment Code in connection with officers who were responsible for underutilization of 2 machines and fruitless expenditure.	Agreed with the observation. However it could not be avoided because the decision had been taken by a third party.

### 3.10 Non- replying of Audit Queries

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The following observation is made

<b>Details relating to the audit query</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting officer</b>
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Replies had not been submitted for 14 audit queries presented to the Ministry during the year under review and 29 audit queries issued in previous years even up to 25 May 2019. The calculable amount of value of those audit queries was Rs.4,539 million.	According to the Financial Regulation 155, the Chief Accounting Officer should take actions to rectify the errors pointed out by audit queries after examining the audit query register mentioned in the Financial Regulation 452(1) within a due period of time. Replies should be submitted for such audit queries immediately. If there will be any delays an interim report should be submitted.	Agreed with the observation. Actions were taken as per the Financial Regulations for the time being.

### 3.11 Management Inefficiencies

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The following observations are made

<b>Audit Issue</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting officer</b>
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(a) Surgical equipment, Cardiac Surgeons and staff of trained Nurses had not been deployed in the Surgical unit of Cardio Thoracic Surgery unit of the Teaching Hospital Kurunegala. As a result surgeries could not be commenced and that unit had been assigned temporarily to the Intensive Care Unit on the service requirement.	Necessary facilities should be provided as to be able to commence the surgeries of the Cardio Thoracic Surgery Unit.	Agreed with the audit observation. Two cardio thoracic Consultants are deployed in the hospital. Installation of Cardio thoracic surgery Unit was included in to the action plan for the years 2017 and 2018. Procurement of medical equipment is being carried out. New posts were approved by the Department of Management

Services according to the schedule of requirement of staff. Although the initial stage of the cardio thoracic Surgery Unit was completed, the rest should be completed and even though the constructions of the theater will be completed it could not be carried out surgeries without the cardio thoracic surgery Unit.

- (b) The item of calcium lactate 300 mg which was given to the pregnant mothers had been over estimated and purchased. In order to clear the surplus stock occurred due to the said reason, it had been distributed to the school children older than 13 years and participants of Suwanari Clinics without obtaining the approval of the Family Health Bureau. Further actions had been taken to give extra dose for feeding mothers. A sum of Rs.13.5 million had lost to the Government as a result of expiration of undistributed stock.
- A proper investigation should be carried out in connection with distribution of the said stock to the school children without an approval in order to clear the surplus stock and the loss occurred due to expiration of stock.
- Not agreed with the observation, No over estimation, Out of the daily calcium requirement school children, only 1/3 can be given by one tablet of calcium lactate 300 mg and Distribution before expiring helped to avoid the wastage of resources.
- (c) A sum of Rs.118 million should be recovered from 69 officers who had violated bonds due to reasons such as not being reported for duty after going abroad for post graduate studies, not being offered the compulsory service to the Government after reporting for duty, not being reported for duty after going abroad for jobs obtaining no-pay leave and give up training activities. Further the amount which should be recovered from 141 officers had not been identified by the Ministry. Further a sum of Rs.2 million had been under recovered from 6 medical officers due to over payment of salaries, recoverable loan balances and other payments not being considered and files had been closed. In addition, actions had been taken to under calculate the receivable
- A policy decision should be taken to accelerate the recovering procedure for receivables to the Government, to recover the funds incurred for training of a medical officer including conditions to the agreement and to increase the value of bonds in order to avoiding leaving posts.
- Agreed with situation prior to 2015. Proper actions are being taken at the moment. Notices for vacation of posts had been issued to 26 officers who had gone abroad for post graduate studies during the period from the year 2015 to the year 2018 and had not reported for the service on due date, A sum of Rs.27,103,552 had been paid by 13 officers out of those 26 officers, it was referred to the legal section to proceed legal actions in connection with other 13

amount by Rs.2.8 million from 6 medical officers.

- (d) Notices for vacation of posts had been issued in a delay of 01 month to 57 months since the date vacated the post. There were some instances that salaries had been paid for the period which they were not in the service. Legal actions could not be proceeded in connection with receivable amount of Rs.53 million due to failure of finding the current addresses of the medical officers who had vacated their posts. There were instances that follow up actions had not been carried out.
- As mentioned above
- Agreed with situation prior to 2015. Proper actions are being taken at the moment. Duties of medical officers who had gone abroad are carried out through a data base instead of the general way followed earlier. Notices for vacation of posts are issued within one month for the medical officers who are not report to the duty on due date after issuing the initial acknowledgement and a copy is sent to the finance section. Twenty four "D" forms are referred to the salary branch for paying salaries to the officers who goes abroad for post graduate studies. In addition to the said 24 forms living certificates are obtained monthly to confirm that the officers are alive and finally the salaries of relevant officers are suspended.
- (e) The following observations are made in connection with vehicles belonged to the Ministry.
- (i) It was confirmed by the information of the Department of Motor Traffic that there were 5,556 vehicles under the names of the Secretary to the Ministry, Director General of Health Service, and under the names of various posts belonged to the Health sector. However according to the vehicle register of the
- Proper actions should be taken to discover the vehicles belonged to the Ministry but considered as misplaced at present due the physical
- Agreed with the audit observation. Out of the 1,794 vehicles which should be recovered, 95 vehicles and 11 motor cycles were verified. It was informed to the Commissioner of Motor Traffic Western Province to

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| <p>Ministry, the said amount was 5,792. Physical existence of 1,794 vehicles out of that had not been confirmed.</p>   | <p>existence not being recognized.</p>   | <p>cease issuing of revenue licenses for the year 2019 temporarily in connection with rest of the vehicles. Thirty vehicles were verified through the suspension of revenue licenses. It was informed to the Sri Lanka Police to discover the 575 vehicles.</p>   |
| <p>(ii) Out of the vehicles belonged to the Ministry according to the Department of Motor Traffic, 202 vehicles had not been included in the vehicle register presented by the Ministry. Out of that, physical existence of 171 motor vehicles and motor cycles had not been confirmed.</p>                      | <p>Legal actions should be taken in this regard.</p>   | <p>Agreed with the audit observation. A vehicle register obtained from the office of the Commissioner of Motor Traffic is being updated and maintained at the moment. However vehicles were purchased by various projects without informing the transport section and out of 202 vehicles, 172 were identified and actions for identifying other vehicles are being proceeded.</p>  |
| <p>(iii) Although 177 motor vehicles and motor cycles included in the vehicle register presented by the Ministry had been transferred to external parties as per the confirmations of the Department of Motor Traffic, the basis for transferring those vehicles to external parties had not been confirmed.</p> | <p>Independent and proper investigation should be carried out in order to confirm the legitimacy of the transfer</p> | <p>Agreed with the audit observation. There were no written evidence relating to the vehicles disposed and auctioned before the year 2014, There were no information whether vehicles purchased by the Ministry and handed over to the Provincial Directors of Health were transferred, Actions to be taken to obtain information from the Department of Motor Traffic relating to the vehicles transferred by the Provincial Councils and to update the inventory books.</p> |
| <p>(iv) A request had been made to the</p>   | <p>Recommendations</p>   | <p>Agreed with the audit</p>  |

Department of Public Finance by the Secretary to the Ministry on 24 March 2017 to write off 584 motor vehicles which could not be verified the physical existence, from the fixed assets register. However approval had not been received in this regard.

given by the observation. Presented to Department of the Vehicle pool Committee Public Finance for further actions should be according to the instructions implemented. given by the Department of Public Finance.

- (v) In addition to the vehicles allocated for the Minister, Deputy Minister and the Staff, pool motor vehicles had been given in 314 instances during the period of only 6 months of the year 2017. Out of those instances, a sum of Rs.795,370 had been incurred by the Ministry for 56,182 kilo meters in 102 instances as fuel expenses.
- Issuance of pool vehicles is not legal and actions should be taken to suspend it.
- Not agreed with the audit observation. There were duties to be fulfilled as covering as the whole Island due to expanding the scope of the Ministry and working in a larger area, Hospitals more than 60 had to be operated in National and District level and additional vehicles had to be engaged when deploying officers in the duties such as functions , conferences , Seminars and issues of employees on the proper approval and instructions of the Minister.

### 3.12 Medical supplies

The following observations are made .

<b>Audit Issue</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
(a) The policy of purchasing estimated items by the Medical Supplies Division was issuance of orders to the State Pharmaceutical Corporation with a lead time of 11 months. However the State Pharmaceutical Corporation had failed to supply medical supplies without delay. The total number of items ordered relating to the medical supplies for the year under review was 8,918. Out of that, 5,544 represents 62 per cent had not been supplied by the State Pharmaceutical Corporation. Due to this delay medical supplies with a huge cost had to be purchased from the local market in every year. Accordingly, due to the delay of supply of main order, the cost of medical supplies purchased from the local market through the State Pharmaceutical Corporation including the trade stock of the State Pharmaceutical Corporation was Rs.5,242 million.	Actions should be taken to apply remedies through policy decisions to minimize the delay reviewing reasons affected to supply of medical supplies without delay , A proper supervision should be carried out by the State Pharmaceutical Corporation paying attention in this regard , and actions should be taken to identify the strategies and implemented as per the requirements.	Agreed with the audit observation.
(b) Although emergency purchasing had not been done by the Medical Supplies Division from the local market during the year under review, actions had not been taken to recover a sum of Rs.5,358 million which had been incurred as additional cost for local purchasing during the period from the year 2007 to the year 2017.	Actions should be taken as per the agreements entered into between the two parties.	Agreed with the audit observation.
(c) Issues had been arisen later on about the	A methodology should	Agreed with the audit

quality of medical supplies issued to hospitals without having a quality tests. Only in such instances those supplies had been sent to the quality tests laboratory. It had been identified later on that a considerable amount of medical supplies had been failed the quality. Drugs at the cost of Rs.538 million relating to 48 medical supplies had been withdrawn from use due to failure of quality only during the year under review. Eight types of antibiotics, drugs for dengue, cholesterol, epilepsy, diabetics and eye disease and gauze and surgical materials as well were included in it.

be introduced and implemented for testing a sample as soon as the medical supplies received. Actions should be taken to store all medical supplies up to the standard. Actions should be taken to by high quality drugs and to issue to the hospitals only after the quality tests.

observation.

- (d) Adequate amount of drugs had been issued to patients at the point of time disclosing that the items of drugs were failed the quality due to the reasons such as capacity of the quality control laboratory not being sufficient, taking a long time for testing , there were lot of samples for testing and delays in issuance of circulars for informing about the quality failed drugs.
- A methodology should be introduced as to be able to identify quality failed drugs before issuing to patients and to issue circulars for informing about the quality failed drugs without any delay,
- Agreed with the audit observation.
- (e) There was possibility to carry out further actions from complaining about the quality failed items to suspension of issuance of quality failed drugs through the PRONTO computer system. However actions had not been taken to disturb the issuance of quality failed drugs through the system during the year under review as well. In 15 instances of drugs failed the quality, orders for suspension of using quality failed drugs had been issued to the relevant hospitals after a period of 07 to 178 days.
- PRONTO computer system should be used for issuing orders relating to the drugs failed the quality.
- Agreed with the audit observation.
- (f) It was observed in a test of a sample of 14 items of medical supplies that, 4 items of medical supplies valued at
- A methodology for examining the drugs failed the quality and
- Agreed with the audit observation.

Rs.13 million which had been withheld in use due to fail the quality during the year under review, had expired as a result of delays in further examinations. withheld in use temporarily should be implemented.

- (g) According to the information received from the Pronto computer system it was confirmed that, medical supplies at the total cost of Rs.126 million including cost of Rs.31 million in the 8 stores of the Medical Supplies Division and cost of Rs.95 million in 50 hospitals institutions under the Ministry had expired. Out of that, 4 items the cost had exceeded Rs.9 million in the stores of the Medical Supplies Division and 10 items at the total cost of Rs.12 million the cost had exceeded Rs.1 million for one item, in 8 hospitals had expired. Over estimation and slow moving items had affected to this situation. Realistic estimates should be prepared as to be minimized the variations between the estimated value and the actual consumption. Orders should be made based on those estimates and continuous study should be carried out for decreasing the demand of the slow moving items and actions should be taken to minimize the expirations as much as possible. Purchasing of items with a short life time should be limited as much as possible and losses should be recovered from the parties responsible for the expiration. Agreed with the audit observation.
- (h) Medical Supplies Division had explained to audit that, receiving and issuing were being done properly through the Pronto computer system. Nevertheless it was observed in the sample audit test that, issuing of certain institutes administrated under the Ministry had not been done through the Pronto system. As a result it was confirmed that certain items issued actually through the stock books had not been included into the computer system and information obtained from the said system was not accurate. A continuous supervision should be done to confirm whether the issuing and receiving are properly done through the Pronto computer system. Agreed with the audit observation.
- (i) Consumables valued at US\$. 500,000 donated by the SARC Development Fund (Maternal and Child Health) had Actions should be taken to clear the donations received from foreign Not agreed with the audit observation, Although the Family Health Bureau had

been received to the Family Health Bureau. It had been taken a period of 27 days to 105 days to clear the said stock of consumables from the Airport. A sum of Rs.15.7 million had been incurred as clearance charges including the demurrage charges of Rs.6 million. A stock of 145,000 Dispo Van Single use Syringes 24 G 20 ml included in the said stock had been remained in the premises of the Family Health Bureau and the Chinthana Training Center of Nynamadama since the year 2015 without distributing. A sum of Rs.1.9 million incurred on the said stock of syringes which had expired in March, July and October 2017 had become a fruitless expense.

countries as to be minimized the cost and to distribute as to be taken the maximum benefit.

informed that they did not require the said stock of consumables, instructions were received to taken over the said stock as receiving due the diplomatic relationship. Clearance charges were incurred for the total stock of consumables and stock of syringes was distributed in maximum and a stock of 145,000 units was remained.

### 3.13 Bio Medical Equipment

The following observations are made.

#### Audit Issue

#### Recommendation

#### Comments of the Chief Accounting Officer

(a) Actions had not been taken to obtain benefits such as discounts and cost minimizing when processing the whole procurement together, by estimating the entire requirement of medical instruments with high value of all Government hospitals and institutions and preparing priority lists as per the provisions received. Instead of that, provisions had been distributed to each hospitals and allowing opportunities to purchase medical equipment through the regional procurement committees. Provision of Rs.9,885.18 million represented 49 per cent of the total provision of Rs.20,163.29 million made for the Bio Medical Engineering Service Division by the Ministry for the period of 5 years from the year 2014 to the year 2018 had been distributed by the Bio Medical

The entire requirement of high valued medical equipment of all Government hospitals and institutions should be estimated and priority list should be prepared as per the provisions received and the procurement should be made in the same time. Taking actions to distribute provisions to each hospital and to make the procurement through regional procurement committees for purchasing medical equipment should be suspended. Provisions should be issued to hospitals for purchasing equipment with minor cost

Not agreed with the audit observation, Initial procurement plan was prepared based on the priority list received from hospitals. Approval was obtained to the procurement plan according to the provisions received. Equipment with high technology and high amount were purchased by the Bio Medical Engineering Service Division. Providing provisions for certain hospitals was a general situation because such requirements should be fulfilled immediately Purchasing arisen in emergency or in an urgent disaster and requirement of

Engineering Service Division to in emergency.  
hospitals without any authority.

medical equipment from  
time to time could not be  
included into the  
procurement plan.

- (b) According to the Guideline 4.2.1 of the Government procurement Guideline, Master Procurement Plan, Detailed Procurement Plan and the Procurement Time Table had not been prepared by the Bio Medical Engineering Service Division for the period of 6 years from the year 2013 to the year 2018. Actions should be taken as per the Government Procurement Guideline. Agreed with the audit observation.
- (c) Technical specifications had not been prepared by the Bio Medical Engineering Service Division, for each bio medical equipment. Instead of that, actions had been taken to use the specifications of the equipment available in the market or to prepare specifications on the recommendations of medical officers. Different specifications had been used by the Bio Medical Engineering Service Division and the District Hospital Kaluthara when purchasing Anesthetic Machine with Ventilators. Hence a sum of Rs.3.07 million and Rs.6.10 million had to be paid to each unit respectively. Further specifications prepared for the Neuro Navigator System and O- arm purchased by the Bio Medical Engineering Service Division in the year 2016 and specifications prepared for 04 Anesthetic Machines with Ventilator purchased by the Kaluthara Hospital in the year 2018 had been completed by only one bidder because bids had been called using the technical specifications of the equipment available in the market. Specific technical specifications should be prepared for each biomedical equipment. Agreed with the audit observations.
- (d) A data base had not been maintained A data base including the Agreed with the audit

by the Bio Medical Engineering Service Division including all information relating to the equipment and spare parts purchased by the Bio Medical Engineering Service Division and distributed to the hospitals, purchased by each hospital and received as donations and aid.

Accordingly a methodology for identifying the future annual requirement of each hospital had not been owned by the Bio Medical Engineering Service Division.

As a result equipment which had not been identified in the procurement plan had to be purchased urgently. It can be shown as an example that purchasing of 2 Cath lab urgently for the Lady Ridgeway Children Hospital and Teaching Hospital Anuradhapura in the year 2017 and the year 2018 respectively incurring a sum of Rs.121.26 million and Rs.117.90 million.

information mentioned in observation. the observation should be maintained by the Bio Medical Engineering Service Division.

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| (e) | <p>Actions had not been taken to obtain the Manufacture Certificates with respect of bio medical equipment purchased by the Bio Medical Engineering Service Division or hospitals. As a result, equipment purchased had been cleared from the harbor without confirming that the equipment had been manufactured in the relevant country and by the relevant manufacturer. It can be shown as an example that Manufacture Certificate had not been obtained for Pet CT Scanner purchased at a cost of Rs.192.33 million for the Apeksha Hospital and bio medical equipment purchased at a cost of Rs.732.76 and installed in the epilepsy unit of National Hospital.</p> | <p>Actions should be taken to obtain the Manufacture Certificates for every biomedical equipment purchased because the authorization of the manufacturer had been requested by ITB 11.1 (e) but not manufacturer certificates.</p> | <p>Not agreed with the audit observation. This certificate was criteria considered basically in the process of evaluation tenders and instructions were given in the bid documents under ITB 11.1 for submitting manufacturer certificates.</p> |
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| (f) | According to the Guideline 12.4.2 of the Drugs and Medical Equipment Procurement Guideline, a label had not been fixed or attached in the equipment purchased by the Bio Medical Engineering Service Division and hospitals including the information such as the name of the certificate issued by the National Medicine Regulatory Authority, brand name of the equipment, conditions for special store facilities, date of manufacture, date of expiry.                                   | According to the Drugs and Medical Equipment Procurement Guideline, actions should be taken to fixed or attached a label in the equipment purchased including the information mentioned in the observation. | Agreed with the audit observation. It is difficult to implement the instructions pointed out by the Procurement Guideline 12.4.2 for biomedical equipment. Stores facilities suitable for that and technical officers relating to it were not enough. |
| (g) | According to the Sri Lanka Atomic Energy Act No. 40 of 2014, radioactive bio medical equipment had been used by the hospitals without obtaining the license which should be obtained from the Sri Lanka Atomic Energy Regulatory Council or without renewing the expired license.  | The license should be obtained from the Sri Lanka Atomic Energy Regulatory Council for radioactive equipment.   | Agreed with the audit observation.  |
| (h) | Cost estimates had been prepared without an understanding of the market price of certain bio medical equipment. It can be shown as examples that although the estimated price of the Multipara Monitors 300 purchased for the National Dengue Control Unit was Rs.120,000, a sum of Rs.184,167 had been incurred per unit and even though the estimated cost for Neuro Navigator System and O – arm was Rs.40 million , a sum of Rs.118.99 million had been incurred for the said equipment. | Cost estimates should be prepared with knowledge of the market price of bio medical equipment.  | Agreed with the audit observation.  |
| (i) | According to the Section 83 (4) (b) of the National Medicine Regulatory Authority act, No. 05 of 2015, the NMRA Certificate which is issued by the National Regulatory Authority evaluating whether the bio medical equipment proposed to be imported is suitable or not for using in Sri Lanka,   | Although it had been mentioned in the Bidding data sheet ITB 4.1 clearly, it had not been considered when evaluation of bids. Hence decisions should be taken considering the type of the equipment with    | Not agreed with the audit observation, type of the equipment and the validity of NMRA certificate were considered when evaluating bids, it was mentioned in the Bidding data sheet ITB 4.1 clearly, priority was given                                |

is an essential document to consider in the procurement process of bio medical equipment. In some instances, validity of the said certificate to the date of calling bids had been evaluated and the model of the equipment which should be included in that certificate had not been considered. In some instances validity of the certificate had been considered with the model of the equipment which should be included in the said certificate. As an example, type of the equipment had not been mentioned in the NMRA Certificate presented for the procurement of purchasing Ultra Sound Scanner by the Bio Medical Engineering Service Division in the year 2014. However without considering the such situation the contract had been awarded to the relevant bidder whilst in the procurement of Ultra sound Scanner in the year 2018 , the bid had been rejected because the model of the equipment had not been mentioned in the NMRA Certificate. The financial loss occurred due to rejection bid considering the model not being mentioned was of Rs.3.05 million.

the validity of the NMRA certificate when evaluating bids.

by the Technical Evaluation Committee in this regard.

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| (j) | Bids presented by bidders who had not obtained NMRA certificate which should be obtained under the National Medicine Regulatory Authority act, should be rejected without evaluating when importation and locally produced bio medical equipment. However 2 Rectangular Thermostatic Water Bath at the cost of Rs.77,500 per unit and a High end Portable Ultrasound Scanner at the cost of Rs.9.99 million had been purchased by the Teaching Hospital Anuradhapura from the suppliers who had not obtained the NMRA certificate. | Bids presented by bidders who had not obtained the NMRA certificate should be rejected without evaluating. | Agreed with the audit observation. |
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| (k) | According to the section 82 (1) and 83 (4) (b) of the National Medicine Regulatory authority Act No. 05 of 2015, NMRA certificate should be obtained for importation of bio medical equipment. During the year 2015, seven endoscopy systems had been purchased as parts and fixed for 7 hospitals. NMRA certificate had been obtained only for the part of Fujifilm video endoscopy system of the said equipment manufactured in Japan. However NMRA certificate had not been obtained for the electrosurgical unit manufactured in German.   | In instances of purchasing parts and fix the equipment, NMRA certificate should be obtained for each part. Bids not submitted accordingly should be rejected without evaluating.   | Not agreed with the audit observation. NMRA certificate are issued for each medical equipment, NMRA certificates were not issued for spare parts or accessories. Certificates were obtained for the Fujifilm video endoscopy system. NMRA certificate had not been obtained for the part of electrosurgical unit which was an accessory of the equipment |
| (l) | In the procurement of purchasing of two Cath labs for the Lady Ridgeway hospital and the Teaching Hospital Anuradhapura by the Bio Medical Engineering Service Division, bill of quantities had not been prepared and included into the bid invitation documents. As a result, separate prices had not been submitted for the said work. Hence the quality of the said civil works could not be tested.  | Being used remaining space for civil work relating to the equipment, being obtained new space and bill of quantities should be prepared for civil work associated with the said work and it should be included in the bid invitations documents. | Not commented.   |
| (m) | There were instances that the Ministry Procurement Committee and the related Technical Evaluation Committee had carried out their activities contrary to the Guideline of the Government Procurement Guideline. The Ministry Procurement Committee and the related Technical Evaluation Committee had carried out the procurement of purchasing 01, 07 and 203 bio medical equipment to Kurunegala and Kaluthara Hospitals and to the Bio Medical Engineering Service Division at the cost of Rs.14.35 million, 16.80 million and Rs.585.81 respectively contrary to the said Guideline. Details are given | Actions should be taken as per the Government Procurement Guideline.   |  |

below.

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| <p>(i) According to the Guideline 2.8.1 (b) of the Government Procurement Guideline, Bio Medical Engineer as a specialist of the field should be appointed to the Technical Evaluation Committee. However specifications had been reviewed and approved by the Technical Evaluation Committee without such appointment in the procurement for kurunegala and Kaluthara Hospitals.</p> | <p>Actions should be taken as per the Government Procurement Guideline</p> | <p>Agreed with the audit observation of Kurunegala and Kaluthara Hospital. Technical specifications were supplied by the hospital planning Division with the requests made by Consultants for purchasing emergency and compulsory equipment. There was not a Bio Medical Engineer appointed for the said 2 hospitals and a Bio Medical Engineer was appointed for the service of the hospital at the moment and this situation is not happened now.</p> |
| <p>(ii) Procurement for the Kurunegala hospital and the Bio Medical Engineering Division had been done without confirming the financial possibility of the contractor through the financial statements of the contractor according to the Guideline 3.12.2 of the Government Procurement Guideline.</p>   | <p>As mentioned above</p>  | <p>Agreed with the audit observation of Kurunegala Teaching Hospital. These procurements had been done on the request of the Consultants giving priority for the patient care services.</p>   |
| <p>(iii) According to the Guideline 4.2.3 of the Government Procurement Guideline, actions had not been taken to provide patient care services with maximum efficiency by implementing procurement process without delay.</p>   | <p>As mentioned above.</p>   | <p>Agreed with the audit observation.</p>   |

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| (iv) According to the Guideline 8.9.1 of the Government Procurement Guideline, The Bio Medical Engineering Services Division had not entered in to agreements in some instances.   | As mentioned above.   | Agreed with the audit observation.   |
| (v) According to the Guideline 7.8.4 of the Government Procurement Guideline, non-compliances with technical specifications as a conclusive proof should be considered as major deviations when procurement of equipment. However procurement made by the Bio Medical Engineering Services Division had been awarded to the bidders who had not fulfilled such specifications. | It had not been proved matters not to agree with the observation. Actions should be taken as per the Government procurement Guideline   | Not agreed with the audit observation<br>Recommendations given by the Technical Evaluation Committee were approved by the Procurement committee and the decision was implemented accordingly and actions were taken by the Technical Evaluation independently. |
| (vi) According to the Guideline 7. 12 of the Government Procurement Guideline, all bids should be rejected when lack of an effective competition is clearly evident. However in the events of not being responded positively and only one or two bids had been presented, procurements made by the Bio Medical Engineering Services Division had been awarded evaluating bids. | Actions had not been taken by the Technical Evaluation Committee and Procurement Committee as per the Government Procurement Guideline. All bids should be rejected when lack of an effective competition is clearly evident. | Not agreed with the audit observation. Approval of the Procurement committee was given according to the recommendation of the Technical evaluation Committee and that approval was implemented.  |
| (vii) According to the Guideline 7.12.2(b) of the Government Procurement Guideline, Technical Evaluation committee should negotiate with the bidder for downward revision of prices. However without doing so, procurement made by the Bio Medical Engineering Services  | Actions should be taken as per the Government procurement Guideline   | Agreed with the audit observation.   |

Division had been awarded.

- (n) There were instances that actions had been taken by the Regional Procurement Committees established in each hospital of which the procurement of bio medical equipment had been done and related Technical Evaluation Committees. In the procurement for purchasing 07,07 and 10 bio medical equipment at the cost of Rs.33.24 million, Rs.16.03 million and Rs.52.89 million respectively for the Kurunegala, Anuradhapura and Colombo South hospitals, the Regional Procurement Committees and related Technical Evaluation Committees had deviated the such Guideline as follows.
- (i) According to the Guideline 2.8.1 of the Government Procurement Guideline, Bio Medical Engineer as a specialist of the field should be appointed to the Technical Evaluation Committee. However specifications had been reviewed and approved by the Technical Evaluation Committee without such appointment in the procurement for kurunegala Hospital. Actions should be taken as per the Government procurement Guideline Agreed with the audit observation.
- (ii) According to the Guideline 2.11.1 (c) of the Government Procurement Guideline, first joint meeting of the Procurement Committee and the Technical Evaluation Committee had not been held to agree with the procurement time table, procurement method and bidding documents in connection with the procurement of kurunegala and Colombo south hospitals. As mentioned above. Agreed with the audit observation.

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| <p>(iii) According to the Guideline 2.12 (a) of the Government Procurement Guideline, members of the procurement committee and the Technical evaluation committee should declare affirming their respect for the commercial confidentiality of the proceedings of the Committee, impartiality and probity and absence of personal interest. However procurement of the Kurunegala and Colombo south hospitals had been done without having such a statement.</p> | <p>As mentioned above.</p> | <p>Agreed with the audit observation.</p>  |
| <p>(iv) Procurement for kurunegala hospital and Bio Medical Engineering Services Division had been done without affirming the financial possibility of the contractor by his financial statements as per the Guideline 3.12.2 of the Government Procurement Guideline.</p>   | <p>As mentioned above.</p> | <p>Not agreed with the audit observation. Procurements were done affirming that there were financial provision at the beginning of the year.</p> |
| <p>(v) According to the Guideline 5.3.2 of the Government Procurement Guideline, estimated cost of the equipment had not been mentioned in the bidding invitation prepared by the Kurunegala and Colombo south hospitals.</p>  | <p>As mentioned above.</p> | <p>Agreed with the audit observation.</p>  |
| <p>(vi) According to the Guideline 5.6.1 (c) of the Government Procurement Guideline, the country manufactured should not be mentioned in the specifications. However the country manufactured had been mentioned in the bidding documents for purchasing 11 ECG machines to the Kurunegala hospital.</p>  | <p>As mentioned above.</p> | <p>Agreed with the audit observation.</p>  |
| <p>(vii) According to the Guideline 7.8.4 of the Government Procurement</p>  | <p>As mentioned above.</p> | <p>Agreed with the audit observation.</p>  |

Guideline, non-compliances with technical specifications as a conclusive proof should be considered as major deviations when procurement of equipment. However procurement of purchasing Argon Plasmas, Coagulation machine and slit lamp for Colombo South hospital and Catha lab for Bio Medical Engineering Services Division had been awarded to the bidders who had not fulfilled such specifications.

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| (viii) | According to the Guideline 7.8.7 of the Government Procurement Guideline, all bids should be evaluated in detail as substantial responsive. However actions had not been taken accordingly in the procurement of the Colombo South Hospital.                    | As mentioned above. | Agreed with the audit observation. |
| (ix)   | According to the Guideline 7.9.2 of the Government Procurement Guideline, technical evaluation should be done considering the operational cost or life cycle cost. However actions had not been taken by the kurunegala and Colombo South hospital accordingly. | As mentioned above. | Agreed with the audit observation. |
| (x)    | According to the Guideline 7.12 of the Government Procurement Guideline, all bids should be rejected when lack of an effective competition is clearly evident. However in the events of not being responded positively and only one bid had been presented,     | As mentioned above. | Agreed with the audit observation. |

procurements had been awarded evaluating bids by the Biomedical Engineering Services Division and Anuradhapura and Colombo south Teaching hospitals.

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| (xi) | According to the Guideline 8.8.1 of the Government Procurement Guideline, aggrieved bidder should be informed the reasons for lack of success. However actions had not been taken by the kurunegala and Colombo South Teaching Hospital accordingly.   | As mentioned above.  | Agreed with the audit observation.  |
| (o)  | Letter of credits had to be opened by the Bio Medical Engineering Services Division because it had been mentioned in the bid documents that bids should be submitted mentioning cost, insurance and shipping charges (CIF), without calling bids for supply and fixing equipment. As a result, disadvantage of devaluation of money due to the inflation had to be suffered by the Bio Medical Engineering Services Division. Due to that reason when receiving equipment not match with the specifications, it could not be rejected. It takes a considerable period of time to open letter of credits from the date of the agreement. It had to be faced to such delays. As a result, other charges spent for letter of credits had to be incurred by the Bio Medical Engineering Services Division. | Bids should be called for supplying and fixing equipment and instead of that, calling bids for the CIF value and opening letter of credits by the Bio Medical Engineering Services Division should be suspended. The responsibility in this regard should be fixed to the local agent of the supplier. | Agreed with the audit observation.  |
| (p)  | According to the Guideline 5.4.5 of the Government Procurement Guideline, advance equivalent to 30 per cent of the value of the letter of credit can be paid on an acceptable bond. Contrary to the said requirement,  | Actions should be taken as per the Government procurement Guideline.   | Not agreed with audit observation. Procurement Guideline 5.4.5 is relevant to local purchasing. There is no mention any thing in it for payment of advances in an |

advances in a range of 80 per cent to 100 per cent of the value of equipment procured had been paid by the Bio Medical Engineering Services Division

instance of opening letter of credits. However, after confirming whether the medical equipment is match with the requirement and operating properly, 20 per cent of the value of the letter of credit is remained and released subsequently and a performance bond is also obtained.

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| (q) | A specific date for supplying of goods had not been informed to the supplier by the Bio Medical Engineering Services Division and different periods had been mentioned in bid documents, acceptance letters and the invoices for supply of goods.   | Conditions including the specific date for supply of goods should be informed to the supplier.                                      | Agreed with the audit observation.  |
| (r) | Actions had not been taken to recover delay charges due to the equipment not being supplied in due date as per the agreements. Actions had not been taken to recover delays which should be recovered as per the agreement amounting to Rs.10.09 million and US\$. 104,974 relating to 13 equipment purchased in the year 2017. | Actions should be taken to recover the delays recoverable as per the agreement.   | Not agreed with the observations. There was no methodology for recovering delays for importation of equipment opening letter of credits. Immediately upon receipt of documents relating to the shipment to the bank, the value of the letter of credit is paid to the foreign bank. |
| (s) | A certificate of completion of work should be issued by a qualified officer after installing of equipment in a hospital by the supplier or the Bio Medical Engineering Services Division. However certificate of completion of work had not been obtained for 2 Catha Labs installed at   | There were written evidence to prove that the certificate of completion of work had not been obtained. Hence it should be obtained. | Not agreed with the observation. And a certificate is issued after examining by the relevant engineers.   |

the Lady Ridgeway Children's hospital and the Teaching Hospital Anuradhapura.

- (t) It was observed in the physical verification carried out by the audit officers that there were cracks on the floor where the premises of Cath Laboratory had been installed in the Lady Ridgeway hospital, the ceiling of the roof were broken, electricity cables had been fixed unsafe and actions had not been taken to examine 30 minutes back up UPS System and to fix 3 dehumidifiers. It was observed in such a physical verification that the Cath Laboratory had been installed with a lot of deficiencies in the Teaching hospital Anuradhapura.
- Actions should be taken to rectify the deficiencies mentioned in the observation.
- Agreed with the audit observation.
- (u) A temporary bed had been supplied for the Cath Laboratory installed in the Teaching hospital Anuradhapura instead of the floor mounted angiography examination table which had not been supplied for the Cath Laboratory. It could not be adjusted in surgeries as per the requirement and a little wooden stool had been used by patients to get into and get down the table. There was no atomic voltage compensation and protection against power surges. Hence the equipment had contracted due to decrease of electric capacity lower than the required amount.
- Actions should be taken to rectify the deficiencies mentioned in the observation.
- Agreed with the audit observation.
- (v) The bid value of Rs.12.27 million submitted for modernization of Upper GI Endoscopy machine of the Ragama hospital had exceeded the financial limit provided for the hospital. Hence the Technical Evaluation Committee had recommended on 15 May 2017 to modernize removing a part. Therefore the machine had not been modernized properly. The Machine had been
- Actions should be taken to avoid such situations in future.
- Not agreed with the observation. The part namely New Duodenum Side View Scope (ERCP) was removed because a huge cost has to be incurred in modernization of Upper GI Endoscope.

modernized without a recommendation of a bio medical engineer and a bio medical engineering certificate had not been obtained to prove that the modernization had been properly done.

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| (w)  | Specific methodologies for removing unusable equipment and radioactive parts from hospitals had not been identified. Equipment had been removed without a certificate from a qualified officer to prove that the equipment could not be used. It can be shown as an example that the old Cath Laboratory of the lady ridgeway hospital and unusable equipment and parts piled up unsafe in the Base Hospital Negombo. | Removing of parts of the old Cath Laboratory of the Lady Ridgeway Children Hospital had not been properly done. Hence a specific methodology should be identified and implemented in this regard. | Not agreed with the observation relating to the Lady Ridgeway Hospital. When removing radioactive parts, according to a proper methodology it was stored in safe and removed in a proper way and agreed with the observation for the Negombo Hospital. |
| (x)  | Storing and recording of bio medical equipment purchased by the Bio Medical Engineering Services Division and issued to hospitals and purchased by hospitals had not been done properly. Few examples for such instances are given below.   |   |  |
| (i)  | Sixty seven equipment at a cost of Rs.13.17 million received to the Negombo hospital during the period from 07 April 2017 to 22 September 2017 had not been entered in to the inventory even up to 11 May 2018.   | It should be entered into the inventory.  | Agreed with the audit observation.   |
|      | Philips HS 5000 Cath Laboratory donated by the Sri Lanka Australia Grant Fund to the Anuradhapura hospital had not been entered into the inventory registers of the said hospital and Bio Medical Engineering Services Division.  | Actions should be taken to rectify the deficiencies mentioned in the observation.   | Agreed with the audit observation.   |
| (ii) | Out of the 113 units of the Hematocrit Centrifuge equipment at  | The shortage had been identified after an   | Not agreed with the observation and goods were   |

the cost of Rs.79,500 per unit which had been issued to the National Dengue Control Unit by the Bio Medical Engineering Services Division in 2 instances , there were shortage of 2 units at the total cost of Rs.159,000.

investigation of all documents. Hence actions should be taken as per the Financial Regulation 103,104 and 105.

issued through few registers.

(iii) There were shortage of 64 units at the total cost of Rs.3.07 million out of the 500 Infusion Pumps at a cost of Rs.48,000 per unit which had been supplied to the National Dengue Control Unit by the Bio Medical Engineering Services Division.

As mentioned above.

Not agreed with the observation and goods were issued through few registers.

(y) Procurement of 64 ICU Ventilators commenced in the year 2012 by the Bio Medical Engineering Services Division had been cancelled on 05 July 2017 and 76 ICU ventilators had been purchased incurring a sum of Rs.211.69 million in the years 2017 and 2018. The following observations are made in this regard.

(i) Before the procurement of 76 ICU Ventilators, all technical specifications mentioned as critical requirements ("C") had been fulfilled by the lowest bidder who had submitted Rs.1.55 million per unit in the procurement of 64 ICU ventilators commenced in the year 2012. Further instructions to bidders /ITB had not been violated. However the said bid had been rejected without a justified and acceptable basis mentioning that the model was not updated. Although the recommendation and

Because the recommendation of the Technical Evaluation Committee and the approval of the Procurement Committee were not correct, a proper and independent investigation should be carried out to identify the officers who responsible for cancellation of the procurement of 64 ICU Ventilators and financial loss of Rs.92.88 million

Not agreed with the observation approval of the procurement committee was granted as per the recommendation of the Technical Evaluation Committee and the said approval was implemented by us.

the approval had been granted to award the procurement to the second lowest bidder, the entire procurement had been cancelled subsequently on 05 July 2017. Accordingly the opportunity to buy 64 ICU ventilators at Rs.99.46 million had lost.

Thereafter bids had been called again revising the specifications and 76 ICU Ventilators of the same model had been purchased at Rs.2.78 million per unit from the second lowest bidder of the procurement which had been cancelled earlier. As a result, the financial loss occurred to the Government was Rs.78.80 million.

- (ii) As a result of revising specifications, the diagonal of the display screen of ICU ventilators had increased only by 3 inches. It was observed that over payment of Rs.1.23 million per unit was not reasonable.

Further the lowest bidder of the procurement of 64 ICU ventilators had presented for supplying of display screen with a diagonal of 12 inches according to the required specification and he had informed that if necessary, display screen with a diagonal of 15 inches can be supplied at Rs.40,000 per unit. However without considering that, the first procurement had been cancelled and a sum of Rs.1.23 million per unit had been over paid for purchasing of the second procurement. Nevertheless the diagonal of the display screen of the equipment purchased was 5.5 inches and a display screen with a diagonal of 15 inches had been supplied as an additional accessory.

- (iii) In the procurement of 64 ICU ventilators, recommendation and approval had been granted to award the procurement to the second lowest bidder rejecting the first lowest bid based on a report presented by two members of the Technical Evaluation Committee who were then the Chairman and the Secretary of the Anesthetic Consultant's Association. Members of the Anesthetic Consultant's Association who had intervened to prepare the report had not signed the said report. Further the report had been prepared comparing two models completely different to the model presented by the said two bidders. Hence the recommendation and the approval had been given based on a report which cannot be considered as a legal and grounded document.
- (iv) Legal actions had been taken by the Bio Medical Engineering Services Division against to the supplier of 76 ICU ventilators due to submission of fraud documents in a previous procurement. However the contract had been awarded evaluating bids in a ground of the said legal actions not being completed.
- (v) There was a requirement of 299 ICU ventilators including 64 identified in the year 2012, 76 planned to be purchased in the year 2015 and 159 further identified in the year 2016. In such a ground Bio Medical Engineering Services Division had failed to complete the procurement process commenced on 24 April 2015 to purchase 76 ICU Ventilators even up to 06 May 2019.

(vi) Actions had been taken by certain hospitals to purchase this equipment from the provision made to the hospitals due to the delay of supplying 76 ICU ventilators to hospitals. As a result financial benefits which can be obtained when purchasing a big amount in one instance had lost. The said matter was proved when testing a sample of ICU Ventilators purchased by hospitals; it was revealed that the difference of prices was in a range of Rs.299,315 to Rs.1.22 million.

(z) A cost estimate of Rs.186.15 million had been prepared to establish dengue intensive care units in Baticaloa, Karapitiya, Colombo South, and Colombo North Teaching Hospitals and Trincomalee, Matara and Hambantota General Hospitals and Panadura Base Hospital before 20 April 2017 in order to combat to the dengue Epidemic. The following observations are made in connection with the procurement for purchasing equipment under the said purpose.

(i) As per the instructions of the Deputy Director General of the Bio Medical Engineering Services Division, It had been decided to purchase 300 Multipara Monitors giving priority for bidders who had Ex-stocks on the emergency requirement. According to the Technical Evaluation Report, only one bidder who had Ex- stocks had been submitted the 9<sup>th</sup> bid for multipara monitors as Rs.324,000 per unit and the first lowest bid was Rs.116,750. Although the 09th bidder had not

Because the Not agreed with the recommendation of the observation approval of the Technical Evaluation procurement committee was Committee and the granted as per the approval of the recommendation of the Procurement Committee Technical Evaluation Committee and the said approval was implemented by us. were not correct, a proper and independent approval was implemented by us. investigation should be carried out to identify the officers who responsible for purchasing 100 multipara monitors and financial loss of Rs.20.72 million should be recovered.

completed the technical specifications of multipara monitors, the Technical Evaluation Committee had recommended purchasing 100 units Rs.324,000 per each from the said bidder. Even though evaluations should not be carried out when lack of an effective competition is clearly evident, one bidder had been evaluated on ex-stock and the contract had been awarded to a price which was 173 per cent over than the lowest bid of Rs.116, 750. Hence the loss occurred was Rs.20.72 million.

- (ii) A bidder who had not completed 2 critical specifications had been selected for the procurement of 20 Ultrasound Scanners considering that all technical specifications had been completed. Although audited financial statements of two previous years should be obtained as per the bidding documents, the bidder had been selected without considering that audited financial statements had been submitted only for the 5 months ended 31 March 2016. The bidder had registered his business on 24 August 2015 and a short term loan of Rs.9 million without interest had been obtained on 01 November 2015. Further a loss of Rs.7.18 million had occurred during the first 5 months and there were liabilities of Rs.7.78 exceeding the assets. Further there were issues about the going concern of the company and it had been clearly mentioned in the audit report of the company. Procurement had been awarded without considering such factors and without evaluating the
- A proper and independent investigation should be carried out in connection with this procurement because audited financial statements had been presented for 05 months ended 31 March 2016 and 02 critical specifications had not been completed.
- Not agreed with the observation. Supplier had presented financial statements for 2 years, Accordingly there was a financial capability, Any financial complain were not reported for the service supplied up to now.

	financial capability of the company.		
(iii)	Procurement for supplying of 100 syringe pumps had been awarded to a supplier who had not registered under the Public Contract Act No.03 of 1987.	Bids of the suppliers who had not registered under the General Contract Act No.03 of 1987 should not be evaluated.	Not commented
(aa)	Although second and third bidders had not fulfilled 3 critical specifications similarly in the procurement of supplying Catha lab to the Lady Ridgeway Children's Hospital incurring a sum of Rs.121.26 million by the Bio Medical Engineering Services Division , approval had been granted by the Procurement Committee to award the procurement to the third lowest bidder considering that the said specifications were not critical. Reasons for the second lowest bidder not being selected were not revealed and a financial loss of Rs.1 million was occurred due to the second lowest bidder not being selected.	A proper and independent investigation should be carried out in connection with this procurement and the financial loss of Rs.1,002,418 occurred should be recovered from the responsible officers.	Agreed with the audit observations.
(bb)	A report had been obtained from 2 members of the Technical Evaluation Committee for an appeal of a bidder in the procurement of 7 endoscopy systems (upper and lower GI) for 7 hospitals at the estimated cost of Rs.90 million according to the approved procurement plan of the Bio Medical Engineering Services Division for the year 2015. Although it had been recommended by the said report to prepare technical specifications again and to call bids again, without considering the said recommendation the procurement had been awarded to the pre recommended supplier considering the deviation of the critical specification as a minor deviation.	A proper and independent investigation should be carried out in connection with this procurement and disciplinary actions should be taken by the Disciplinary Authority as per the section 8.1 and 8.2 of the chapter XLVII of the establishment Code in respect of the officers who were responsible for awarding the procurement considering the deviation of the critical specification as a minor deviation.	Agreed with the audit observation
(cc)	According to the approved procurement plan of the Bio Medical	A proper and independent investigation should be	Agreed with the audit observation.

Engineering Services Division for the year 2015, a neuro navigator at the estimated cost of Rs.40 million had been purchased for the Sri Lanka National Hospital incurring a sum of Rs.118.99 million. The following observations are made in this regard.

(i) Different names had been mentioned in different instances of the procurement process without identifying the equipment which should be purchased.

(ii) Although the Technical Evaluation Committee had been appointed for the procurement of Neuro Navigator, technical specifications had been prepared for Neuro Navigator System and O-arm Neuro Navigator System. The Procurement Committee had given the approval identifying the said specification as a specification for the Neuro Navigator.

(iii) According to the technical specification prepared by the Technical Evaluation Committee on 12 May 2015, this equipment had been identified as supply and installation of 01 Neuro Navigator System and O-arm, the registration certificate of the Cosmetic Device and Drug Authority (CCDA) had not been inquired separately in bid documents.

(iv) Although the name of the manufacturer should not be mentioned in the specifications, it was confirmed that a specific specification directly related to the O-arm Imagine System and Stealth S-7 Navigation System manufactured by Medtronic Inc

carried out in connection with this procurement and disciplinary actions should be taken by the Disciplinary Authority as per the section 8.1 and 8.2 of the chapter XLVII of the establishment Code in respect of the officers who were responsible for purchasing the O-arm Imagine System and stealth S-7 Navigation System manufactured by the Medtronic Inc from the same institute preparing specification directly related to the machine.

had been prepared because the bid had been presented only by the said institute.

- (v) According to the bid presented, the total value of the bid was Rs.118.99 million including Rs.39.99 million for the Neuro Navigator and Rs.79 million for O-arm and maintenance cost was Rs.91.75 million. The supplier had agreed with the decision taken by the Technical Evaluation Committee for deducting 20 per cent of the bid value of Neuro Navigator and O-arm and 50 per cent of the maintenance cost. Accordingly, the total cost had been deducted by Rs.69.67 million as the total cost of Rs.118.99 million by Rs.23.79 million and maintenance cost by Rs.45.87 million. it was confirmed that, massive and unreasonable bid had been submitted due non availability of competition and specifications had been prepared allowing such a situation.
- (vi) The recovered delay charge amounting to Rs.8.55 million as per the order, had been deducted from the cost and taken into accounts instead of crediting the Government Revenue.
- (vii) According to the Atomic Energy Regulatory Act a certificate should be obtained by testing the Navigation O-arm from the Sri Lanka Atomic Energy Regulatory Council. According to the request made by the Director of the Sri Lanka National Hospital, Navigation O-arm had been tested by the Sri Lanka Atomic Energy Regulatory Council and even though observations, results, conclusion

and recommendation had been given, those recommendations had not been fulfilled up to now. Hence officers of the radiation department of the hospital had not reported for the duty of the said equipment since the year 2016 to 30 June 2019.

- (dd) It was observed in a sample audit test that 854 bio medical equipment at the total cost of Rs.3,030 million had been remained idle or underutilize in 33 hospitals during a period of 05 months to 07 years due to reasons such as vacancies of employees, lack of medical officers, buildings not being constructed, unavailability of spare parts and accessories, transfer of the consultant who requested the equipment, unnecessary receiving of equipment, license which should be obtained from the Sri Lanka Atomic Energy Regulatory Council not being obtained, and repairs not being done. In addition, 3 high-tension radiation equipment purchased at Rs.726 million for cancer treatment units installed at Jaffna, Karapitiya and Baticaloa Teaching Hospitals had been remained idle over a period more than 03 years because bunkers which should be needed to install such equipment had not been constructed.
- A proper investigation should be carried out in connection with bio medical equipment mentioned in the observation which had been remained idle or underutilized and a methodology which can be utilized them should be identified and implemented.
- Agreed with the observation.
- (ee) The following observations are made in connection with the approved and actual cadre of the Bio Medical Engineering Services Division.
- (i) Qualified employees had not been recruited adequately for the necessary posts and the number of total vacancies of 26 posts as at 31 December 2018 was 163. Qualified officers should be recruited for necessary post adequately. According to the Scheme of recruitment officers should be absorbed to Grade II and wrong absorption and wrong payment thereon should be Agreed with the audit observation. However actions had to be taken in such way due to the problematic situation occurred in the institute in such instances and the betterment of the patient care service.
- (ii) The post of Deputy Director General (Bio Medical Engineering Services) was vacant since 02 December 2016

and an officer who had not qualified to the post had been appointed on acting basis without taking actions to fill the post on permanent basis. rectified. Weaknesses of the new scheme of recruitment should be corrected and it should be amended.

- (iii) According to the new recruitment scheme approved on 20 December 2013, the officers of Bio medical engineering service who had completed a 10 year satisfactory service period and had completed efficiency bar and other service requirements according to the old scheme of recruitment prior to that date, can be absorbed to grade II. However, 4 officers who had not completed the above requirements had been absorbed to the said grade.
- (iv) Although a value for professional qualifications had been given in the old scheme of recruitment, there was no value given for vocational qualifications in the new scheme of recruitment which had been approved on 20 December 2013 by the Department of Management services. Even though experience had been mentioned as a special qualification it had not been specified to a field or certain duration.
- (v) There is no written examination to recruit officers to grade III of the Bio medical Engineering service and qualified candidates had been recruited through an interview. Even though 50 marks had been allocated for additional educational qualifications in the structured interview, the said additional qualifications had not been identified.

(vi) Although it had been mentioned in the scheme of recruitment that the officers who fulfill the qualifications, should submit a completed format requesting the Appointment Authority for the promotion after which the appointment authority reviews the qualifications and promotes the officers as effective from the qualified date when promoting to grades I and II in the bio medical Engineering service, A procedure to recruit officers in an occasion which the number of qualified applicants exceed the number of vacancies had not been mentioned.

(vii) The efficiency bar examination which is held in relation with Grade II of Bio Medical Engineering Service was consisted with one subject and a syllabus for this subject had not been identified.

(ff)	The following observations were made regarding the staff and technical staff in hospitals which uses Bio medical Equipment.	A proper methodology on training hospital staff and technical staff in hospitals that use Bio Medical Equipment should be identified and executed under a training plan.	Agreed with the audit observation.
(i)	A proper Methodology of training staff and technical staff had not been identified.	A proper methodology on selecting officers for foreign trainings should be established and officers should be selected with transparency.	
(ii)	A training plan to deliver local and foreign training had not been prepared.		
(iii)	A proper methodology to select officers for the training programmes given by the suppliers and for foreign training programme given by foreign aid projects had not been established and officers had been selected for training without		

transparency.

(iv) Only the direction of officers towards the foreign training sessions given by suppliers or other sources had been done and actions had not been taken on giving opportunities of training on the required equipment and training on the new introductions on the field of health with the new technology.

(v) Even though it was mentioned in the bid documents that the supplier would sponsor the foreign training on the equipment, an analysis on the cost on the training, the expenses of the course included in the cost, the expenditure on the combined and incidental allowances for the officers, had not been taken. Although the cost on the training is a part of the bid, follow up actions had not been taken to find if the officers had been sent to training as agreed after the acceptance of the bid and awarding the contract. As an example, the absence of the training which should be given to 4 officers on the Cath Laboratory established in Lady Ridgeway hospital and Anuradhapura Teaching hospital can be pointed out.

(gg) Replies had not been submitted for 12 audit queries issued in the year under review and 4 audit queries issued in the previous year even up to 06 May 2019. Actions should be taken according to the section 38 of the National Audit Act no 19 of 2018. Agreed with the audit observation.

### 3.14 Payment of Specimen allowances

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The following observation is made.

Audit Issue	Recommendation	Comments of the Chief Accounting Officer
<p>-----</p> <p>It was observed in a sample audit tests carried out in 03 Teaching Hospitals Polonnaruwa, Jaffna and Badulla that, overtime and specimen allowances had been obtained in an improper, illegal manner without transparency by Radiologists who perform X-Ray tests, Therapists in Physiotherapy unit, ECG Recordist and Lab Technicians (MLT) as described below.</p> <p>(i) Even though risk free fully automatic machinery had been introduced to the officers of paramedical service for their services, overtime allowances had been paid in an impractical and unjust manner because the specimen and specimen allowance relating to overtime allowance had not been defined properly.</p> <p>(ii) There were differences in specimen allowances, Overtime allowances, waiting allowances and maximum overtime allowance value in circulars for Overtime allowances that had been released in several occasions, and a permanent common criterion had not been established. As an</p>	<p>-----</p> <p>A foundation to pay overtime allowances in a practical and fair manner should be established.</p> <p>A common permanent criterion should be established in a manner which eliminates all the differences in values of specimen allowance, overtime allowance waiting allowance and maximum overtime allowance.</p> <p>The chances of obtaining overtime allowances which are multiple times higher than the basic salary by implementing a shift method should be controlled.</p> <p>Obtaining of overtime allowances by conducting a number of tests in the period of overtime which is two or 3 times higher than that of duty time should be controlled and a proper internal control for that manner should be established.</p>	<p>-----</p> <p>Agreed with the audit observation and the initial steps were taken to correct this in the future.</p>

example, provisions had been made for three allowances such as overtime allowance, waiting allowance and sample allowances.

- (iii) Actions had not been taken to control overtime controlling opportunity allowed for overtime allowances which was a few times bigger than the basic salary by implementing a shift method.
- (iv) In most of the times examined, it was confirmed that an abnormal amount overtime allowances had been obtained by carrying out a number of tests in the period of overtime which is two or 3 times higher than that of duty time. There were occasions in which the allowances had been obtained by highlighting the tests that were conducted in the usual duty time as they were conducted in their leisure time by adding fraud notes.

#### 4. Good Governness

##### 4.1 Serving to General Public

The following observation is made.

<b>Audit Issue</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
Out of the 224 applications submitted by General Public to the Ministry during the year under review according to Right to Information Act, No. 12 of 2016, twenty seven applications had been rejected. Replies had not been supplied by the Ministry for 139 applications and replies had been supplied for 58 applications. Out of the 139 application which replies had not been supplied, 54 applications had remained with a delay over a period more than a year up to 31May 2019.	Actions should be taken according to section 25 of Right to Information Act, No. 12 of 2016.	Agreed with the audit observation, Reminders had been sent to the officers relating to 139 unanswered applications, Actions are being taken to update the register obtaining the relevant copies.

#### 5. Human Resources Management

The following observations were made.

<b>Audit Issue</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
(a) When deploying the entire staff of the Ministry in the service, staff had been assigned as 2,925 vacancies in 28 posts and 297 surpluses in 9 posts of Senior Executive Grade ,476 vacancies in 41 posts and 16 surpluses in 5 posts of tertiary level, 7,732 vacancies in 94 posts and 314 surpluses of 32 posts of secondary level, 8,998 vacancies in 55 posts and 3,320 surpluses in 25 posts of primary level. Further 115 individuals had been attached to 14 hospitals and institutions for the posts which had not been included in	Actions should be taken to assign officers and employees not exceeding the approved cadre for each hospital and institute or to revise the cadre according to the requirement.	Agreed with the audit observation. It is essential that maintaining health service as to be able to deliver an effective service to the General Public. Even though the approval should be obtained to fill vacancies of posts, it takes a certain time. There is a delay in filling vacancies because a proper methodology should be followed. Some officers had to be attached on the requirement as not to exceed

the approved cadre.

the entire number of posts because there was a possibility to make unrest due to the health service not being maintained updated. Further actions to be taken to revise the approved cadre.

- (b) Number of consultant maintained for each field as per the National requirement had not been identified even as at 31 August 2019. As a result, consultants had not been assigned identifying the requirement of each specialized area in each hospital. A procedure for recruiting medical officers for postgraduate training considering the vacancies in each field had not been implemented. As the approved cadre and actual cadre of Consultants were 1608 and 1579 respectively, there were 29 vacancies. However Medical officers had been assigned creating 177 vacancies and 148 surpluses in each hospital and institute.
- Actions should be taken to identify the number of consultants needed for each specialized area and to revise the cadre as per the requirement.
- Agreed with the situation before 2015. Actions are being taken properly for the time being. Required number of Consultants are determined as per the level of the hospital and the duties functioned by the hospital. The number of consultant which should be trained could not be trained because the Ministry of Higher Education and the Postgraduate Institute had not trained the required amount in required time, At the moment, the number of Consultants need for the future had been decided by the Medical Service Planning Unit together with the Human Resources Unit and had been informed to the Post Graduate Institute.
- (c) Nineteen medical officers who should be assigned to 03 regional hospitals, 02 MOH offices and 12 primary medical care unit had not been assigned. Hence it was disturbed to the continuous service of the said centers.
- It was confirmed that as per the comment the observation is correct. Hence actions should be taken to rectify the said situation.
- Not agreed with the observation. Such deficiencies can be occurred due to the reasons such as postgraduate training of medical officers, foreign leave, transferring to other institutes on emergency health condition, resignation, and vacation of posts. Actions are being taken to fill the

vacancies from the qualified medical officers, and due to protest of the medical officer's trade unions such actions were delayed.

- (d) According to the paragraph 2.4 of the Transfer Scheme No. TCS/A/29/2001 dated 30 September 2001, even though annual transfers are effective on 01 January, the final list of transfers for the year under review had been issued on 01 June 2018 in a delay of 05 months. Further it was observed in the sample audit test carried out in 10 Teaching Hospitals and 08 special hospitals that 1,904 medical officers who had been transferred by the Ministry from the year 2012 to the year 2018 had not reported to the due place of the service.
- It should not be employed in the service without a proper approval of the Authority of appointment and transfers. Disciplinary actions should be taken as per the section 8.1 and 8.3 of Chapter XLVIII of the Establishment Code in connection with the officers who act against to the regulation.
- Agreed with the delay of the year 2018, the situation was corrected, Even though the annual transfer list of the medical officers for the year 2018 was delayed, it was published in the year 2019 on due date, transfer list for the year 2020 is in progress, It could not be implemented properly because the Senior Registrars were in abroad, As a result, there were instances which were not implemented transfers for certain Consultants, However annual transfer list of the medical officers arriving after completing the foreign training is implemented and actions to be taken to carry out the patient care services of all hospitals throughout the country.
- (e) The approved number of medical officers belonged to the senior level as at 31 December 2018 was 13,393 and the actual was 11,053. Hence there were 2,340 vacancies.
- It was confirmed that as per the comment the observation is correct. Hence actions should be taken to rectify the said situation.
- Not agreed with the observation. Vacancies are recognized based on the criteria relating to the requirement of the service but not to the number of officers to be recruited. Accordingly the number of posts required as at 31 December 2018 were identified, However posts are filled selecting the qualified officers in each year, When qualified officers are not

produced as per the requirement of the service , it takes a time to fill the required number.

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| (f) There were 2,455 vacancies of medical officers in 76 hospitals and institutions of the 9 province whilst there were 115 surpluses in 08 hospitals in urban areas such as Central, Northwestern, south and western provinces.   | -do-  | -do-  |
| (g) Actions had not been taken to fill 32 vacancies in 09 posts of various fields relating to senior executive level in the year under review and the previous year. Accordingly the requirement of such posts should be considered again.   | Actions should be taken to revise the approved cadre as per the requirement or to fill the vacancies.   | Agreed with the audit observation.  |
| (h) According to the scheme of recruitment for the primary grade approved by the Public Service Commission, even though it can be recruited to Grade III Saukya Karya Sahayaka (junior) on the permanent basis , contrary to that , 558 employees had been recruited for Saukya Karya Sahayaka Post on contract, temporary or casual basis and deployed in the service of 27 hospitals and institutes. | Employees should not be recruited on casual/temporary/ contract basis.  | Agreed with the audit observation   |
| (i) An officer who had not qualified to the post had been appointed to the post of Deputy Director General (Bio Medical Engineering) without an approval of the Public Service Commission.   | An officer who had completed the required qualifications to the post should be appointed for covering the duties of the said post and approval of the Public Service Commission should be obtained. | Agreed with the audit observation. However it had to be taken such actions due to the conflict environment of such instances. |
| (j) Employees recruited on contract basis to projects taken under the Management Services Circular No.33 of 05 April 2007 could not be   | Disciplinary actions should be taken against to the officers who had act contrary to the  | Agreed with the audit observation.  |

able to permanent according to the Circulars.  
Public Administration Circular No. 25/2014 dated 12 November 2014. Further permanent appointment could not be awarded to the employees who were not entitled to the services mentioned in the said Circular. Nevertheless permanent appointment had been awarded to 120 employees working in such projects.

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| (k) | Officers of SL III salary scale of the Sri Lanka Administration Service were not allowed to apply for the post of Additional Secretary (Project) which had been approved to the Ministry of Health Nutrition and Indigenous Medicine since 02 July 2018. Instead, a retired officer who had served to the Ministry had been appointed. | Recruitments should be done according to the service minutes.   | Agreed with the audit observation. |
| (l) | Out of 713 posts approved for the Medical Supplies Division, 233 posts were vacant as at 31 December 2018. Out of that, 188 essential posts were remained vacant since a number of years. It had affected to carry out the process of medical supplies properly and efficiently.   | Disturbance remained to carry out the process of medical supplies properly and efficiently should be removed. | Agreed with the audit observation. |