

Head 441 – State Ministry of Primary Health Care, Epidemics and COVID Disease Control

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the State Ministry of Primary Health Care, Epidemics and COVID Disease Control for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance and cash flow statements for the year then ended, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No. 19 of 2018. The summary report including my comments and observations on the financial statements of the State ministry of Primary Health Care, Epidemics and COVID Disease Control was issued to the Accounting Officer on 31 May 2022 in terms of Section 11 (1) of the National Audit Act, No. 19 of 2018. The Annual Detailed Management Audit Report was issued to the Accounting Officer on 28 June 2022 in terms of Section 11 (2) of the National Audit Act, No. 19 of 2018. This report is presented in Parliament in pursuance of provisions in Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read in conjunction with Section 10 of the National Audit Act, No. 19 of 2018.

In my opinion, the financial statements of the State Ministry of Primary Health Care, Epidemics and COVID Disease Control give a true and fair view of the financial position of the State Ministry as at 31 December 2021, and its financial performance and cash flow for the year then ended in accordance with the Generally Accepted Accounting Principles.

1.2 Basis for 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 opinion.

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

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

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

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

1.4 Auditor's Responsibility for the Audit of 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 the 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 taken by users on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, 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 State Ministry's internal control.
- Evaluate the structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

1.5 Report on Other Legal Requirements

As required by Section 6 (1) (d) of the National Audit Act, No.19 of 2018, I state the following:

As this is a new Ministry established in the year under review, there was no necessity for preparing financial statements for the preceding year.

2. Financial Review

2.1 Management of Imprests

The following observation is made.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
The imprest to be applied for the year under review as planned was Rs.65,376,800. Nevertheless, only a sum of Rs.58,076,700 had been applied for. Accordingly, the expected objective had not been achieved by planning imprests. However, as the imprest issued by the Treasury had been only Rs.41,810,000, imprests of Rs.16,266,700 had not been issued. As such, provision authorized by Parliament could not be utilized as planned.	It is agreed with the observation and even though provision had been made according to expected plans, imprests were applied for, according to the actual requirement.	Imprests should be applied for, according to an accurate and realistic plan.

2.2 Management of Expenditure

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

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a) The total provision of Rs.3,000,000 made for 02 Recurrent Objects had been transferred to other Objects through Financial Regulations 66 and 69. Moreover, out of the total provision of Rs.1,500,000 made for 02 Recurrent Objects, a sum of Rs.1,300,000 representing a	It is agreed with the observation and these shortcomings will be rectified.	Accurate and realistic estimates should be prepared.

percentage between 80 per cent and 90 per cent had been transferred to other Objects through Financial Regulations 66 and 69.

- | | | | |
|-----|--|------|------|
| (b) | Provision of Rs.265,000,000 and Rs.8,000,000 made relating to 02 Recurrent Objects and 03 Capital Objects respectively, had been increased by sums of Rs.603,000,000 and Rs.35,350,000 respectively representing percentages between 100 per cent and 300 per cent through supplementary estimates and transfers of Financial Regulation 66. | -do- | -do- |
| (c) | Out of the provision totalling Rs. 61,500,000 made for 07 Recurrent Objects and 06 Capital Objects, the entire net provision of Rs.60,600,000 had been saved after transferring a sum of Rs.900,000 to other Objects. | -do- | -do- |
| (d) | Out of provision amounting to Rs.286,700,000 made for 03 Capital Objects and 17 Recurrent Objects, the total net provision of Rs.276,100,000 had been saved after transferring a sum of Rs.10,600,000 to other Objects, of which a provision of Rs.190,163,190 had not been utilized. Those savings had represented a percentage between 50 per cent and 99 per cent of the net provision. | -do- | -do- |

2.3 Incurring of Liabilities and Commitments

The following observation is made.

Audit Observation	Comments of the Accounting Officer	Recommendation
-----	-----	-----
A sum totalling Rs.70,537 comprising telephone bills and other bills relating to November and December 2021 of the State Minister and the staff payable by 31 December 2021 had not been included in the statement of commitments and liabilities as at 31 December 2021 according to Note (iii) Format.	It is agreed with the observation, and the officers were briefed on maintaining the Register of Liabilities since the year 2022 and that the Register of Liabilities has been prepared.	All commitments and liabilities should be included in the statement of commitments and liabilities.

2.4 Non-maintenance of Registers and Books

Audit Observavtion	Comments of the Accounting Officer	Recommendation
-----	-----	-----
(a) A Security Register including details of officers and employees required to give security had not been prepared in terms of Finacial Regulation 891(1).	It is agreed with the observation and the Security Register was prepared since the year 2022.	A Security Register should be maintained properly on officers required to give security.
(b) A Record of Losses had not been maintained in terms of Financial Regulation 110.	It is agreed with the observation and the Record of Losses was prepared since the year 2022.	In terms of provisions specified in Financial Regulation 110, a Record of Losses should be maintained according to the Format thereunder.

2.5 Certification of Accounting Officer

Accounting Officer should certify the following matters in terms of provisions set out in Section 38 of the National Audit Act, No. 19 of 2018. However, it had not been so done.

Audit Observation	Comments of the Accounting Officer	Recommendation
-----	-----	-----
(a) The Accounting Officer should ensure that an effective internal control system for the financial control exists in the State Ministry and carry out periodic reviews to monitor the effectiveness of such systems, and accordingly make any alterations as required for such systems to be effectively carried out. Such reviews should be carried out in writing, and a copy thereof should be presented to the Auditor General, but no statements had been furnished to the Audit that the reviews had been carried out.	It is agreed with the observation and action will be taken to establish and maintain an internal control system.	Action should be taken in accordance with provisions.
(b) The Accounting Officer shall ensure that an effective mechanism exists to conduct an internal audit. However, the said requirements had not been fulfilled.	Even though written requests were made to the Ministry of Public Administration, an Internal Auditor has not been attached so far and as such, an Internal Audit Plan was not prepared and the Department of Management Audit as well has made written requests to the Ministry of Public Administration to appoint Audit Officers to the State Ministry.	Action should be taken in accordance with provisions.

3. Operating Review

3.1 Vision and Mission

The following observation is made.

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>The functions such as implementing a joint programme with all offices of Provincial and Regional Director of Health Services and Medical Officer of Health Offices in coordination with the Ministry of Health for the control of COVID-19 and other communicable diseases, prevention of the spread of epidemics and strengthening the maternity and infant health care services to keep the maternal and infant mortality rate as low as possible, expansion of Medical, nursing and other allied support facilities in all regional and primary hospitals so that the rural people can easily access health services, implementing relevant programs to improve the immunity of children, taking necessary steps to improve primary health care and basic infrastructure, implementing health promotion and health education programmes to enhance public health education, expansion of adult health care facilities targeting low income earners in rural, backward and urban areas, strengthening the health services of low income and rural people by coordinating the dispensaries and maternity clinics owned by Local Government Institutions, the Department of Health Services, Family Health Care Services, Provincial Ministries and Departments of Health etc, had been introduced as special priorities by the Gazette Extraordinary No. 2205/14 dated 11 December 2020. However, powers had not been vested in the State Ministry for enforcing Acts and Orders relating to the performance of these functions and for taking decisions including the trusteeship of institutions. As such, the above mentioned special priorities had not been specified under objectives and functions of the State Ministry in the draft Annual Performance Report relating to the year 2021.</p>	<p>That non-vesting of powers in the State Ministry by the Gazette Extraordinary No. 2205/14 dated 11 December 2020 is true, the said Gazette was not prepared by us, and that special priorities which were neither performed by us nor vested with powers, had not been mentioned under objectives and functions of the State Ministry in the Annual Performance Report prepared for the year 2021.</p>	<p>Action should be taken to brief the parties responsible therefor and to make necessary rectifications by them.</p>

3.2 Security of Public Officers

The following observation is made.

Audit Observation	Comments of the Accounting Officer	Recommendation
-----	-----	-----
In terms of Financial Regulation 880, three officers who are entrusted with the custody of bank accounts and stores belonging to the State Ministry, had not furnished security.	Necessary action is being taken to furnish security for officers who had not furnished security.	Securities should be obtained duly from all relevant officers.

3.3 Management Weaknesses

The following observation is made.

Audit Observation	Comments of the Accounting Officer	Recommendation
-----	-----	-----
Steps should be taken to keep records to confirm the arrival and departure of public officers to and from offices by using finger scanners in all Public Institutions in terms of the Circular No.03/2017 dated 19 April 2017 issued by the Secretary to the Ministry of Public Administration and Management. Further, in terms of the Letter No. DMS/0016 dated 12 May 2017 issued by the Secretary to the Treasury, in case of failure in operating finger scanners from 01 July 2017 so as to confirm the arrival and departure of the Health Staff, the Secretary had been informed not to pay overtime as per the current salary. However, provisions set out in the said Circular and the Letter had not come into force even by 31 December 2021. Moreover, a total sum of Rs.18,393,754 comprising Rs.12,821,220 for salaries and Rs.5,572,534 for overtime and holiday pay had been paid in the year under review by the State Ministry without recording arrival and departure through the finger scanner.	That the State Ministry had operated accounts from October 2021 after allocating provision by the supplementary estimate, and until then, Accounts Division of the Ministry of Health had operated all accounts, that as the State Ministry had functioned in a room of the Ministry of Health, there was no space to fix the finger scanner therein, that the finger scanner was not used due to the Covid – 19 pandemic prevailed during the period in which the State Ministry had functioned in the Ministry of Health, that even though quotations were called for, for the purchase of a finger scanner, it was not done as such purchase is not effective for the then staff which was even less than 15 and that overtime indicated had been obtained by others including the personal staff of the Minister and Drivers and finger scanners were not used by them.	Action should be taken in terms of circular provisions.

4. Good Governance

4.1 Audit and Management Committee

The following observation is made.

Audit Observation	Comments of the Accounting Officer	Recommendation
-----	-----	-----
In terms of provisions of Management Audit Circular Nos. DMA/2009 (1), DMA/2009(1)(i) and DMA/1-2019 dated 09 June 2009, 28 January 2016 and 12 January 2019 respectively, 04 Audit and Management Committee meetings should be held per year at least once in a quarter. However, no Committee meetings had been held in the year under review.	As there is no Internal Auditor in the State Ministry up to now, Audit and Management Committee meetings could not be held for the year 2021, and an Audit and Management Committee meeting was held in the year 2022 even without an Internal Auditor.	Action should be taken in terms of provisions of Management Audit Circulars.

4.2 Human Resource Management

The following observation is made.

Audit Observation	Comments of the Accounting Officer	Recommendation
-----	-----	-----
Only institutions such as Department of Social Services, National Secretariat for Elders and 1990 Suwaseriya Foundation had been included under supervision of the State Ministry which was established on 04 December 2020. However, approval had been obtained for the staff comprising 80 members without proper study on the scope of the State Ministry. Even though duties relating to posts in Medical Administrative Services are not performed by the said Ministry, the approved cadre consisted of 05 posts in the Medical Administrative Service including an Additional Secretary and 03 posts in the Medical Officer. However, the total actual cadre of the State Ministry as at 31 December of the year under review stood at about 15.	That the approval had been obtained for the staff considering only the name of the Ministry by the then officers without taking into consideration the role and powers vested by the Gazette in the establishment of this Ministry, and after carrying out proper studies thereon by us, unnecessary staff was not recruited and that it was noted to revise the existing cadre and obtain the approval therefor as per the role assigned to this Ministry in future.	Necessary cadre should be approved by considering the scope of the Ministry.