

## **Head 416 - State Ministry of Indigenous Medicine Promotion, Rural and Ayurveda Hospitals Development and Community Health**

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### 1. Financial Statements

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#### 1.1 Qualified Opinion

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The audit of the financial statements of the State Ministry of Indigenous Medicine Promotion, Rural and Ayurveda Hospitals Development and Community Health for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance, and cash flow 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 containing my comments and observations on the financial statements of the State Ministry of Indigenous Medicine Promotion, Rural and Ayurveda Hospitals Development and Community Health 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 of the State Ministry was issued to the Accounting Officer on 20 July 2022 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act, No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements give a true and fair view of the State Ministry of Indigenous Medicine Promotion, Rural and Ayurveda Hospitals Development and Community Health as at 31 December 2021 and its financial performance and cash flow for the year then ended, in accordance with Generally Accepted Accounting Principles.

#### 1.2 Basis for Qualified Opinion

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My opinion is qualified based on the matters described in Paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities for the financial statements are further described in the Auditor's Responsibilities 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 the Accounting Officer on Financial Statements

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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 the preparation of 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 systems 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

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My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's summary report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, 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 judgment and maintain professional skepticism 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

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

- (a) The financial statements are consistent with the preceding year,
- (b) Recommendations made by me on financial statements of the preceding year on observations mentioned in paragraph 1.6.1 (c), 1.6.3 (b), (c) of this report, had not been implemented.

## 1.6 Comments on Financial Statements

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### 1.6.1 Capital Expenditure

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The following deficiencies were observed in accounting capital expenditure relating to financial statements.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) Office equipment costing Rs.2,767,510 received from the Ministry of Finance, Economic and Policy Development on 06 July 2021 had been neither included in the Register of Fixed Assets nor accounted under non-financial assets.	Necessary measures will be taken to account office equipment received and include in the Register of Fixed Assets and to rectify them through accounts summaries of the following month.	Action should be taken to rectify the error and appropriate control systems should be established to avoid such shortcomings hereinafter.
(b) Even though the cost of Rs.205,579,850 relating to 29 vehicles belonging to the Ministry had been indicated in the statement of financial position as at 31 December 2021, the number of vehicles owned by the Ministry as at that date and costs thereof had been reported to the Comptroller General's Office as 17 and Rs.154,225,000 respectively.	Even though there were 29 vehicles in the Ministry, 12 vehicles of them had been provided to the Ministry of Health. As such, only the cost relating to 17 vehicles physically available with the Ministry, had been reported to the Comptroller General.	All assets owned by the Ministry should be brought to account and action should be taken to take over assets which are used but not vested, without delay and to reflect the actual position of assets in accounts.

- (c) Costs of 48 motorcycles belonging to the Osugovi Project and 06 vehicles used by the Ministerial staff, included in the list of vehicles made available to Audit in the preceding year, had not been brought to account even in the year under review. Further, costs of vehicles had not been mentioned in the list of vehicles made available to Audit.
- Action will be taken to provide motorcycles obtained under the Osugovi Gammama Project, to the Department of Ayurveda and Ayurvedic Drugs Corporation properly during 03 ensuing months. Moreover, 06 vehicles used by the Ministerial staff had been provided to the Hon. Minister and Ministerial staff by the Ministry of Health and necessary steps will be taken to account the cost of these vehicles by clearing the ownership thereof.
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- (d) A sum of Rs.1,568,360 had been spent for capital expenditure of the Homeopathic Hospital coming under the Ministry and debited to relevant Objects. However, only a sum of Rs.144,000 spent for name boards of the Hospital had been brought to account as non-financial assets. However, remaining sum of Rs.1,424,360 had not been brought to account as non-financial assets.
- Action will be taken to record the expenditure of Rs.1,424,360 debited to the Capital Object of the State Ministry, as a non-financial asset in the following month.
- Expenses should be brought to account by classifying accurately and action should be taken to indicate the value of non-financial assets accurately.

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

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 It was observed during audit test checks that the Ministry had not maintained the following registers while certain other registers had not been maintained in the proper and updated manner.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a) Stock books had not been updated in terms of Financial Regulations 751 and 763	Those will be updated.	Stock books should be maintained in terms of Financial Regulations 751 and 763.
(b) Record of losses had not been updated in terms of Financial Regulation 110.	Record of losses will be updated and maintained properly.	Record of losses should be maintained as per the Form set out in the Financial Regulation 110.

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| (c) | A record of liability had not been maintained in terms of Financial Regulation 214. | A record of liability had not been maintained and action will be taken to maintain the record of liability in future. | A record of liability should be maintained so as to examine liabilities regularly in terms of Financial Regulation 214. |
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1.6.3 Certification of the Accounting Officer

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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, action had not been accordingly.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) The Chief Accounting Officer and the Accounting Officer should ensure that an effective internal control system for the financial control exists in the Ministry and carry out periodic reviews to monitor the effectiveness of such systems, and accordingly make any alterations as required for such systems to be effectively carried out. 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.	In terms of provisions set out in Section 38 of the National Audit Act, No. 19 of 2018, periodic reviews are carried out to monitor the effectiveness of internal control system for the financial control of the Ministry and accordingly, alterations will be made as required for such systems to be effectively carried out.	Action should be taken in terms of provisions in Sections 38(1)(c) and 38(2) of the National Audit Act, No. 19 of 2018 and due reports thereon should be furnished to the Auditor General.
(b) The Chief Accounting Officer and the Accounting Officer shall ensure that an effective mechanism exists to conduct an internal audit. However, the said requirement had not been fulfilled according to observations in paragraph 5.1 of the report.	In terms of provisions set out in Section 38 of the National Audit Act, No. 19 of 2018, an effective mechanism will be established to conduct an internal audit properly.	Action should be taken in terms of provisions in Sections 38(1)(f) of the National Audit Act, No. 19 of 2018.

## 2. Financial Review

### 2.1 Expenditure Management

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The entire provision of Rs.3,650,000 relating to 04 Objects had been transferred to other Objects under Financial Regulation 66.	Provision has been transferred in terms of Financial Regulation 66, and thereby, the net result of the overall programme is not changed. As such, necessary steps will be taken according to matters pointed out.	Accurate and realistic estimates should be prepared by considering activities mentioned in the Annual Action Plan prepared as per the vision and the mission of the State Ministry.
(b) Even though old equipment were not available in the office of the Minister, provision of Rs.850,000 had been made for the maintenance of machinery and equipment. As such, a sum of Rs. 600,000 representing 71 per cent of that, had been transferred under Financial Regulation 66 for expenditure on maintenance of vehicles of the Minister.	-do-	-do-

### 2.2 Incurring of Liabilities and Commitments

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Contrary to provisions in the Financial Regulation 94 (1), liabilities of Rs.212,290 had been entered into exceeding the savings of Rs.103,264 relating to 02 Recurrent Objects.	Provision made in the year 2021 was inadequate for the settlement of liabilities. As such, liabilities had to be entered into exceeding savings of provision and action will be taken in the ensuing year as pointed out.	Action should be taken in terms of Financial Regulations.

- (b) Liabilities of Rs.169,833 relating to 05 Recurrent Objects had not been indicated in the financial statements of the year under review. Vouchers relating to 05 Objects had been submitted for making payments after presenting the financial statements of the year under review and action will be taken to minimize shortcomings by strengthening internal control systems required to avoid such errors further. Internal control systems should be maintained to ensure that all liabilities are examined and entered into relevant accounts.

2.3 Issuance and Settlement of Advances

The following observation is made.

Audit Observation	Comments of the Accounting Officer	Recommendation
Recovery of a total sum of Rs.293,095 comprising Rs.171,975 and Rs.121,120 recoverable from officers who had left the service and a period between 02 and 03 years and a period between 03 and 04 years had lapsed respectively relating thereto, had failed even by 31 December 2021.	Action is being taken to recover loan balances of two officers who had left the service and an appeal as well had been made for reinstating them in the service.	Action should be taken to recover loan balances without delay.

2.4 Operation of Bank Accounts

The following observation is made.

Audit Observation	Comments of the Accounting Officer	Recommendation
Even though 07 cheques totalling Rs.1,901,229 had been included as cheques issued but not presented for payment, in the Bank Reconciliation Statement prepared as at 31 December 2021, those cheques had been retained in hand without issuing even by 08 April 2022.	The value of cheques issued before 31 December 2021 but not presented for payment by 08 April 2022 totalled Rs.1,625,747 and measures therefor have been taken by 25 May 2022.	Cheques issued should be sent to the payee without delay instead of retaining in hand. Action should be taken according to laws, rules and regulations relating to use of cheques.

### 3. Operating Review

#### 3.1 Non-performance of Functions

The following observation is made.

Audit Observation	Comments of the Accounting Officer	Recommendation
The State Ministry had provided sums of Rs.5,000,000 and Rs.23,500,000 in the years 2020 and 2021 respectively to the Ayurvedic Drugs Corporation for installing a diesel generator and a new electric power distribution system inside the said Corporation. However, the Corporation had deposited the relevant monies in a fixed deposit without utilizing even by 30 April 2022.	A supplier had been selected to purchase the generator and awarded the procurement and opened the relevant Letter of Credit in the year 2021. However, the generator had not been supplied by the supplier, will be further proceeded by commencing procurement activities in the year 2022 again and action will be taken by reviewing the progress.	An adequate follow up procedure should be carried out on the utilization and effectiveness of provision made for institutions under the purview of the Ministry.

#### 3.2 Management Weaknesses

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) One thousand travelling bags had been purchased for carrying drugs, by incurring an expenditure of Rs.2,900,000 to be provided to traditional practitioners expected to be appointed as caregiver practitioners in a project commenced for supplying Suwadharani Caregiver Medical Service to bhikkus in 565 monasteries all over Sri Lanka. As the number of maximum caregiver practitioners that can be appointed in relation to the number of monasteries is 565, a sum of Rs.1,261,500 had been spent to purchase 435 additional travelling bags and it was observed as a fruitless expenditure. Moreover, it was observed that travelling bags had been distributed only among 105 native practitioners in 13 Divisional Secretariat	The Suwadharani Caregiver Medical Service Programme will be implemented in all provinces, 58 practitioners have been registered and commenced the programme in the North Western Province, the bag will be issued simultaneously with the commencement of the programme in the year 2022, official introduction of the programme, training and awareness programme have been conducted on 11 December 2021, a number of about 200 persons including traditional Ayurvedic practitioners of Ayurvedic	After carrying out initial activities required for commencement of a project, purchases should be made according to plans and requirements of each stage of implementation.



Divisions in the Gampaha District even by 08 April 2022, eight hundred and ninety five travelling bags remained as at that date, a sum of Rs.223,300 had been spent for the distribution ceremony held at the Kelaniya Raja Maha Vihara and that data and information on purchase and issuance of the 1,000 travelling bags had not been entered in stock books.

Conservation Councils, Community Health Medical Officers and Development Officers (indigenous Medicine) have participated and a sum of Rs.221,300 has been spent for entertainment expenses required for the programme and travelling expenses of Rs.52,000 for 105 practitioners at Rs.500 each.

(b) An expenditure of Rs.255,000 had been incurred for providing library books to Ayurvedic Conservation Councils of 09 Districts and action had been taken to provide over 42 per cent of that to Gampaha District. Moreover, it had not been confirmed whether the said provision was utilized for purchase of books.

The list of books purchased by making provision to Divisional Secretaries of relevant Conservation Councils has been sent to the Ministry, it was decided to implement the pilot project under “Suwadharani” Community Caregiver National Programme in the Gampaha District, the majority of public requests coming from Gampaha District and a larger percentage was provided to that District, considering the non-implementation of programmes for the Gampaha District before.

Island wide plans should be prepared and action taken accordingly for achievement of objectives of the Ministry.

(c) Provision of Rs.1,800,000 and Rs.5,000,000 had been made in the years 2020 and 2021 respectively for the programme on establishment of Poshana Mandira trade stalls island wide for sale of nutritious native food with the intention of promoting hygienic native food among the public and safeguarding people from non-communicable diseases. Accordingly, an expenditure totaling 6,525,396 comprising sums of Rs.1,676,763 and Rs.4,848,633 had been incurred during those two years and an expenditure of Rs.5,000,000 or 77 per cent of that had been incurred for the Gampaha District. Moreover, even though 35 Poshana Mandira trade stalls have been constructed by 31 December 2021, the Ministry had not taken any follow up

A decision has been made to implement the pilot project under the “Suwadharani” Community Caregiver National Programme in the Gampaha District, according to the “Suwadharani” Community Caregiver National Programme priority has been given to the Western Province, the majority of public requests coming from Gampaha District, various nutrition levels were reported as a result of deviating from the optimum nutrition style due to high population and busy life style and as a result more Poshana Mandira trade stalls

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action whatsoever regarding their function and the achievement of objectives relating thereto.

have been provided to the Gampaha District, 35 Poshana Mandira trade stalls have been constructed by 31 December 2021 and letters have been forwarded to the relevant Divisional Secretariats on 12 January 2022 relating to follow up action on the said Poshana Mandira trade stalls.

4. Achievement of Sustainable Development Goals

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Audit Observation

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Comments of the Accounting Officer

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Recommendation

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In terms of Sections 3.6, 3.9, 11 and 11.2 of the Sustainable Development Act, No.19 of 2017, the State Ministry should manage its resources and targets to be reached by the State Ministry for achieving sustainable development goals, the gaps existing for achieving those targets and indices for measuring the progress should be identified. However, the State Ministry had not identified the extent of objectives achieved through identifying those targets, deviations as well as various fields to which attention should be drawn.

Comments have not been made.

Action should be taken in terms of Sections 3.6, 3.9, 11 and 11.2 of the Sustainable Development Act, No.19 of 2017.

5. Good Governance

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5.1 Internal Audit

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Audit Observation

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Comments of the Accounting Officer

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Recommendation

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A suitable auditor had not been appointed for conducting internal audit activities of the Ministry.

Requests have been made to the Ministry of Public Administration to appoint an officer in the Sri Lanka Accountancy Service for this post, no appointment has been made so far due to dearth of officers and a Development Officer has been appointed in the year 2022 as an officer in charge of a subject relating to internal audit.

Provisions specified in Section 40(1) of the National Audit Act, No.19 of 2018 should be followed.

6. Human Resource Management

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 The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) Even though the approved cadre as at 31 December 2021 of the State Ministry stood at 403, the actual cadre as at that date was 345. As such, the number of vacancies representing 14 per cent of the actual cadre was 58. As such, it was observed that achievement of performance targets of the State Ministry could be affected by the said 58 vacancies.	The number of vacancies existed at 90 has decreased up to 58 at present, as the cadre for all posts in the Ministry is attached by the Ministry of Public Administration and as such, requests had been made on several occasions to fill the vacancies and officers have not been attached so far due to dearth of officers.	A review should be repeated on the human resources necessary for achievement of performance targets at optimum level.
(b) An employee had been recruited since October 2010 on permanent basis with pension for a labourer post which was not included in the approved cadre and the said post had not been approved even by the year under review.	Even though approval was sought by forwarding this issue to the higher authorities, no favourable response has been received therefor, action is being taken at present to obtain Cabinet approval to attach the said employee to a vacancy existing in the Ministry for making his service permanent	Illegal recruitments should not be made. Appropriate control systems should be established to prevent such illegal appointments in future.
(c) Salaries and allowances totalling Rs.394,690 paid by the Ministry of Health during the period from March to December 2021 to an Office Aide who was not deployed in the service of the State Ministry had been reimbursed by the State Ministry.	This employee has been attached within the approved cadre of this Ministry on the requirement of the Minister's office of this Ministry, the said amount has been reimbursed for payment of salaries and allowances and that this employee has been released again to the Ministry of Health on 18 May 2022.	Attachment of officers on improper decisions without proper approval and reimbursement of salaries should not be done.

- (d) Even though the post of Administrative Officer was vacant from 15 May 2019, a retired officer had been recruited on contract basis from 09 November 2020 without recruiting a permanent officer for the said post.
- The Department of Management Services has approved the post of Administrative Officer of this Ministry as a post in Supra Grade of the Public Health Management Assistant Service and as no adequate number of officers in Supra Grade of the Public Health Management Assistant Service is available, a retired officer in Supra Grade of the Public Health Management Assistant Service has been deployed in the service again on the approval of the Health Services Committee of the Public Service Commission.
- A review should be repeated on the human resources necessary for achievement of performance targets at optimum level.