

Head 423 – State Ministry of Production, Supply and Regulation of Pharmaceuticals

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the State Ministry of Production, supply and Regulation of Pharmaceuticals 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 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. The summary report containing my comments and observations on the financial statements of the State Ministry of Production, Supply and Regulation of Pharmaceuticals was issued to the Accounting Officer on 28 June 2022 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the Ministry was issued to the Accounting Officer on 20 July 2022 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. This report will be tabled 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, 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 financial position of the State Ministry of Production, Supply and Regulation of Pharmaceuticals as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

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 responsibility for the financial statements is further described in the Auditor's Responsibility section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of the 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 provisions in Section 38 of the National Audit Act, No.19 of 2018 and for the determination of the internal control that 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 the preparation of annual and periodic financial statements.

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 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 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 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 and its materiality depends on the influence on 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:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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

I express the following matters in terms of Section 6 (1) (d) of the National Audit Act, No. 19 of 2018.

- (a) The financial statements are consistent with the preceding year,
- (b) The recommendations made by me on the financial statements of the preceding year had been implemented.

1.6 Comments on Financial Statements

1.6.1 Submission of Accounts

The following observations are made.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a) According to Section 16 (2) of the National Audit Act No. 19 of 2018, a draft annual performance report was not submitted to the Auditor General with the annual financial statements of the state ministry.	A draft report will be submitted with the financial statements in the year 2022.	Should be followed the provisions of the National Audit Act.
(b) Rs.6,000,000 which had been transferred from the expenditure subject of acquisition of machines and machinery to the expenditure subject of acquisition of furniture and office equipment was not included in the statement of expenditure according to the programmes as per Financial Regulations 66. Accordingly, the total net provision of the two expenditure subjects is indicated as more and less respectively with the same value.	These deficiencies will be rectified during the preparation of the financial statements for the year 2022.	Transfers between expenditure subjects should be properly reconciled as per Financial Regulations.

1.6.2 Statement of Financial Position

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) The balance on 31 December 2021 of the rent and work advance account prepared according to ACA-5(A) format and the balance of Rs.7,570,493 on that date in the rent and work advance reserve account prepared according to ACA-5(B) format was not stated as a financial assets and a rent work advance respectively in the statement of financial statement prepared on that date.	These deficiencies will be mitigated during the preparation of financial statements of the year 2022.	All accounts and related formats should be prepared correctly.
(b) Although the total balance of non-financial assets accounts was Rs.366,214,778 as at 31 December 2020 according to the financial statements of the last year, the accumulated non-financial assets accounts balances for the year under review prepared by the treasury as per format SA 82 amounted to Rs.1,103,136,134 and due to that there was a difference of Rs.736,921,356. Reasons for the difference were not disclosed.	Due to an error on the CIGAS website, as the computer printed notes issued by the treasury are not corrected, will be discussed with the treasury and correct them.	All accounts and related formats should be properly prepared as to be reconciled with the computer printed notes prepared by the treasury.
(c) Although acquisition of non-financial assets during the year under review was Rs.400,565,715 according to the statement of expenditure prepared as per ACA-2(ii), it was Rs.224,237,210 according to the CIGAS programme and it was Rs.305,597,324 according to the statement of accumulated non-financial assets prepared by the treasury as per SA 82 format and due to that, the difference was Rs.176,328,505 and 94,968,391 respectively. Reasons for the difference were not disclosed.	-do-	-do-

- (d) According to the statement of financial position as at 31 December 2021, the total balance of non-financial assets accounts on that date was Rs.1,413,095,004, but due to the balance was Rs.597,059,434 according to the CIGAS programme, there was a difference of Rs.816,035,570. Reasons for the difference were not disclosed.
- Due to an error on the CIGAS website, as the computer printed notes issued by the treasury are not corrected, it will be discussed with the treasury and correct them.
- Non-financial assets should be properly included to the CIGAS programme.

1.6.3 Cash Flow Statement

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
(a) Although Rs.101,591,597,255 received from the treasury during the year under review, that figure was included to the cash flow statement as Rs.102,091,597,255 and the difference of Rs.500,000,000 was included as personnel salaries and operating expenses. Also, although the correct value of imprests paid to the treasury during the year under review was Rs.20,822,072, it was indicated in the cash flow statement as Rs.43,154. Also, even though the cash balance as at 01 January 2021 was Rs.23,364,372, it was not included in the cash flow statement and Rs.2,542,300 of personnel salaries and operating expenses paid during the year under review were not included in the cash flow statement.	Disagree with the audit observations. The imprest received from the treasury during the year under review was Rs.102,091,597,255 and the difference was Rs.500,000,000 from the imprests directly issued by the treasury to the State Pharmaceutical Manufacturing Corporation of Sri Lanka.	Cash flow statement should be prepared correctly.
(b) Although the acquisition of capital assets of Rs.1,852,375 spent during the year under review should be indicated under investment activities in the cash flow statement, instead, it was indicated under operating expenses and the operating expenses of Rs.11,275,826 spent during the year under review was indicated under investment activities.	Agree with the observation and prepare correct accounts for the next year.	-do-

1.6.4 Non-maintenance of Documents and Books

It was observed during the sample audit inspections that the following documents were not maintained by the state ministry and some documents were not maintained regularly and up-to-date.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) A liability register was not maintained as per Financial Regulations 214.	There is a possibility of entering liabilities through the ITMIS and CIGAS systems that are currently used and a liability register will be maintained in future in accordance with the Financial Regulations.	A liability register should be maintained as per the Financial Regulations.
(b) A bail deposit register was not maintained as per Financial Regulations 891 (1).	A bail deposit register is maintained by the Medical Supplies Division in accordance with the terms of Financial Regulations 891 (1).	A bail deposit register should be maintained for the state ministry as per the Financial Regulations.
(c) It was observed the cases where vehicle log books were not maintained properly and up-to-date in accordance with Financial regulations 1645 (a).	The vehicle log books will be updated correctly in future.	Vehicle log books should be maintained for all vehicles as per General 267 formats.
(d) The vehicle listing register was not maintained in the correct format in accordance with the Financial Regulations 1647 (e)	A vehicle listing register is maintained.	A Vehicle listing register should be maintained in the correct format as per the Financial Regulations.

1.6.5 Certification to be done by the 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 done accordingly.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The Accounting Officer shall ensure that an effective internal control is developed and maintained for the financial control of the ministry and the effectiveness of the system should be reviewed from time to time and necessary changes should be made accordingly to make the system effective and although those reviews should be done in writing and a copy of that should be submitted to the Auditor General, statements that such reviews were done were not submitted for audit.	The reviews of the internal control system were done and changes were made in the monthly meetings of the heads of institutions of the State Ministry in the year 2021, but it was unable to inform to the Auditor General and it will be informed in future.	Action should be taken to follow the provisions of the National Audit act.
(b) Although the Chief Accounting Officer should ensure that all audit queries are answered within the specified time periods as required by the Auditor General, answers to 25 audit queries with the total calculation value of Rs.91,256,026,568 had not been submitted until 20 June 2022.	The answers related to the audit queries will be provided within the specified period.	-Do-

2. Financial Review

2.1 Expenditure Management

It was confirmed that the estimates were not prepared correctly and realistically according to the Financial Regulations 50 as per the following observations.

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Out of the provision made by the 01 capital expenditure subject and 07 recurrent expenditure subjects of Rs.18,000,000 and Rs.9,648,000,000, financial provisions of Rs.6,000,000 and Rs.2,671,582,000 respectively or 23 percent to 100 percent had been transferred to other expenditure subjects under Financial Regulations 66.	Agree with the observation, the estimated allocation for some expenditure subjects was exceeded according to the Covid situation in the country and allocations were transferred from the remaining expenditure subjects to other expenditure subjects under Financial Regulations 66 and explanations for each expenditure subject are given in the financial statements.	Accurate and realistic estimates should be prepared as per Financial Regulations.
(b) The additional provisions were arranged from the supplementary estimates to the 03 capital expenditure subjects and 01 recurrent expenditure subject of Rs.74,150,000,000 and Rs.1,600,000,000 respectively, which were not made provisions from the budget estimate of the year 2021 and 02 recurrent expenditure subjects of Rs.15,070,000,000, which were made provisions.	Agree with the observation, that provision was made in the supplementary estimates for the purchase of vaccines and other medical supplies required for the control of the Covid epidemic in the country.	-do-
(c) Out of the 100 percent of the net allocation of Rs.6,700,000 which was made for 04 recurrent expenditure subjects, another 100 percent of the net allocation of Rs.19,300,000 and Rs.562,000,000 which were made for 05 recurrent expenditure subjects and 05 capital expenditure subjects respectively, Rs.6,419,282 and Rs.124,933,527 respectively or 33 percent and 22 percent were not utilized.	Agree with the observation and that the reasons for saving the provision are given in the financial statements.	-do-

2.2 Incurring into the Liabilities and Obligations

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) Although not incurred to any expenditure or obligation beyond the provisions in the annual estimates in accordance with Financial Regulations 94 (1), Rs.95,246,005 were incurred into liabilities beyond the provisions of 03 capital expenditure subjects and 04 recurrent expenditure subjects which are not supply and service expenditure subjects.	Action will be made to incur into obligations on provisions wherever possible, According to the nature of the health service, the liabilities are reached beyond the allocation limit in the essential works and the non-availability of allocations is also the reason for this.	Action should be taken in accordance with Financial Regulations.
(b) The liabilities of Rs.31,513,451,330 for 03 recurrent supply and service expenditure subjects were not indicated under note (iv) of the financial statements according to the Financial regulations 94(2).	Agree with the observation and all liabilities are correctly recorded in the financial statements while preparing the financial statements of the next year.	All liabilities should be indicated under note (iv) in the financial statements.
(c) According to paragraphs 03 and 04 of public Accounts Circular No. 255/2017 dated 27 April 2017, every expenditure unit should take steps to include information about its obligations and liabilities in the CIGAS programme in order to identify the amount of obligations and liabilities for each expenditure head, but due to noncompliance with that, the liabilities amounting to Rs.31,614,422,394 included in note III of the financial statements were not included in the statement of accumulated liabilities prepared according to the SA 92 format by the treasury and the liabilities amounting to Rs.15,826,262 included in that statement were not included in note III of the financial statements.	Agree with the observation and the financial statements of the next year are prepared correctly.	Should be act in accordance with the provisions of the Public Accounts Circular.

- (d) Liabilities of the Kegalle General Hospital to the private sector amounting to Rs.77,916,508 were stated in note III of the financial statements as liabilities to statutory boards of public corporations. Agree with the observation and steps will be taken to record the relevant liabilities under the correct sections while preparing the financial statements for the next year. Note III of the financial statements should be prepared correctly.

2.3 Statement of Advance Accounts to Government Officials

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) Although the loan balances of the transferred officers should be settled within three months according to the terms of sections 1.6, 1.7 and 6.3 of chapter XXIV of the Establishment Code and paragraph 1.1.7 of the National Budget Circular No. 118 dated 11 October 2004, the sum of outstanding loan balances of 14 officers who were transferred from the medical supplies division over a period of 06 years was Rs.373,310 as at 31 December 2021.	Some of the loan balances are more than 30 years old and the necessary steps are being taken to recover them.	Should be followed the provisions of the National Budget Circular.
(b) As per the provisions of section 4.2.4 of chapter XXIV of the Establishment Code, when an officer is due to retire, details of all loans to be recovered from him should be submitted to the Director of Pensions and according to the section 4.2.5, it should be recovered from the officer's converted pension or gratuity. The total loan balance to be recovered from 16 retired officers as at 31 December 2021 was Rs.1,758,540 and it was not submitted for the audit that the arrangements for recovering that loans had or had not been made or whether other factors affected for that according to the provisions of the Establishment Code. Among those loan balances, there was Rs.728,281 more than 04 years old to be recovered from 06 retired officers.	Necessary steps will be taken to recover.	Should be act in accordance with the provisions of the Establishment Code. Relevant information should be submitted for audit.

(c) As per 3 (e) (ii) of the Public Finance Circular No. 05/2019 dated 27 June 2019, the national identity card number of the officers who left the service but were not reinstated were submitted to the Election Commissioner and after asking details about their residence, the loan amount has to be recovered through the Attorney General after confirmed the assets of those officers from the Divisional Secretary, but the total loan balance of Rs.1,499,023 to be recovered from 28 officers who left the service as at 31 December 2021 had not been recovered and 70percent from that or Rs.1,109,560 were more than 05 years old loan balances.

-do-

Should be act in accordance with the provisions of Public Finance Circular.

2.4 Receivable Money

The following observations are made.

Audit Observation

Comments of the Accounting Officer

Recommendation

(a) 96 items of medicine and medical equipment with a total cost of Rs.2,779,325,736 provided by the medical supplies division during the period of 06 years from the year 2015 to the year 2021 had failed in quality. But a proper system was not followed to recover the money from the relevant suppliers and the amount to be recovered was also not accounted. Instead, the amount to be charged had been reduced only if there were outstanding amount to be paid to those suppliers. Accordingly,

(i) Out of Rs.2,490,654,288 to be charged from the State Pharmaceuticals Corporation of Sri Lanka and Rs.109,679,357 to be charged from the State Pharmaceutical Manufacturing Corporation of Sri Lanka, only

In addition to Rs.526,257,295 that had been charged from the Sri Lanka State Pharmaceutical Corporation, Rs.218,901,950 to be paid to the said corporation have

A proper system should be followed for collecting money from suppliers and arrangements should be made to account the chargeable

- Rs.1,745,495,043 and been charged from the debit money.
Rs.16,336,218 had been recovered notices and that the total amount of charged is Rs.745,159,245.
from the amounts to be paid to those corporations respectively for defective medicines and medical equipments.
- (ii) The approval had been taken for the settlement of Rs.5,786,480 to be charged from the State Pharmaceutical Manufacturing Corporation through the order of the year 2022, but the amount had not been recovered by 30 April 2022. It has been agreed to supply drugs free of charge again for Rs.5,786,480 to be charged from the State Pharmaceutical Manufacturing Corporation. -do-
- (iii) No legal action or other adequate action was taken between year 04 and year 06 to recover Rs.106,083,436 to be charged from local suppliers. The local supply providers have been informed on two occasions but haven't reply and will be informed again. Appropriate action should be taken to recover money from suppliers.
- (iv) The approval of the Secretary of the treasury was not obtained for the approval given by the Secretary of the Ministry of Health to recover Rs.53,769,733 to be charged from the local manufacturers form the future payments made to those institutions. The approval of the Secretary of the treasury will be taken in future and that the remaining money will be charged from the future payments to the relevant suppliers. The approval of the Secretary of the treasury should be obtained and the relevant charges should be done and accounted.
- (b) According to the Financial Regulations 170 (3), cash receiving from actual sale of goods or equipment are not included in the recovery of expenses and such receiving should be credited to a cash revenue account. But the medical supplies division did not maintain an revenue account to account the money received for the medical supplies provided to 17 hospitals and institutions owned by other government institutions with a profit margin and the money received was credited to the medical supplies expenditure subject. It was observed that during the year under review only Rs.668,924,078 received by the medical supplies division was credited to the This error has been identified; necessary arrangements are being made to obtain an expenditure head for crediting revenue received for medicines and medical supplies. The money and other revenue received from providing to external institutions should be credited to a revenue account without being credited to the expenditure subject.

medical supplies expenditure subject instead of being credited to an revenue account, so it was observed that the correct expenditure was not reflected in that expenditure subject. Also, sufficient measures were not taken to recover Rs.4,313,096,301 to be received on 31 December 2021 for the medical supplies provided to 17 hospitals and institutions owned by other government institutions.

- (c) The money to be paid for the surgeries of the patients referred to the Sri Jayawardenapura hospital by the Ministry of Health was offset against Rs.732,507,049 for the medical supplies issued to that hospital from the year 2017 to March 2021 without formal approval and agreement and values were not accounted correctly. Also, according to the balance confirmation certificate given by the hospital, the amount to be further settled to the medical supplies division was Rs.323,950,148. No reasons were given for the difference of Rs.408,556,901.
- Requests have been made to obtain approval from the Secretary of the Ministry of Finance with proposing to provide medicines to the Sri Jayawardenapura hospital for money and the expenditure of heart surgery to be provided by the Ministry of Health, differences between the balances are being identified by comparing accounts between Sri Jayawardenapura hospital and the medical supplies division and arrangements have been made to send monthly computer system reports to Sri Jayawardenapura hospital containing details of medicine supplies.
- Formal approval and agreement should be obtained for such offsets from the treasury and the transaction should be properly accounted.

2.5 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with the provisions in laws, rules and regulations observed during the course of audit test checks are analyzed below.

Audit Observation		Comments of the Accounting Officer	Recommendation
----- Reference to the Laws, Rules and Regulations -----	Non-compliance -----	-----	-----
(a) Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka. -----			
(i) Financial Regulations 395 (h)	Although bank reconciliation statements should be prepared by an officer not involved in depositing cash in the bank, writing cheques or maintaining the cash book, there was no proper internal control in this regard as the officer who maintains the cash book of the medical supplies division also prepares the bank reconciliation statement.	The duties are covered by the existing officers under the strict supervision of the Chief Accountant due to the transfer of accounts division officers.	Arrangements should be made to obtain proper internal control as per Financial Regulations.
(ii) Financial Regulations 880 and Circular No. 04/2022 of the State Ministry of Home Affairs dated 16 March 2022.	Since the information related to the officers who posted the bails in the State Ministry and the medical supplies division was not submitted for the audit, it was not possible to confirm that the bail money was paid properly and the correctness of the refund payments of the bail deposits of the retired officers.	The name list of the officers who have given bail in the medical supplies division has been prepared and the details of issue the pass books have been submitted to the Administrative Officer as per the request letters of the retired and transferred officers.	Financial Regulations and Government Finance Circular should be followed. The information related to the officers who posted the bail should be submitted for audit.

(b) Public Finance Circular
No. 01/2020 dated 28
August 2020

(i)	Paragraph 9.1	Only staff officers can be given ad-hoc sub imprest for a specific task, but in 39 cases, ad-hoc sub imprest of Rs.1,499,000 was given to non-staff officer for participation allowances and entertainment in formulary revision committees.	Only staff officers will be given ad-hoc sub imprests from the year 2022.	Should be act in accordance with the Financial Regulations and Public Finance Circular.
(ii)	Paragraph 11.1	Although the medical supplies division shall submit the annual board of survey reports for the year under review to the Auditor General before 31 March 2022, the reports had not been submitted until 25 May 2022.	Documents have been updated and physical stock survey have been started to conduct the 2021 annual stock survey.	Annual board of survey reports should be submitted to the auditor General before on due date.

2.6 Transactions without Authority

The following observation is made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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The Secretary of the State Ministry had not properly delegated the financial powers for the year 2021. The Director of the medical supplies division, who had not been authorized to approve expenditure due to this, had approved 61 payment vouchers totaling Rs.510,264,040 only in the month of March 2021.	The post of Director of medical supplies division was not mentioned by omission in the delegation letter signed by the Secretary of the ministry on 27 January 2021 and the letter dated 28 January 2022 has been corrected.	Financial powers should be properly delegated and recorded.

3. Operational Review

3.1 Planning

The following observation is made.

Audit Observation

Comments of the
Accounting Officer

Recommendation

The State ministry had not prepared an annual action plan for the year under review as per paragraph 03 of the Public Finance Circular No. 02/2020 dated 28 August 2020. The organization structure, the details of the approved staff and the staff currently in service, the activity plan prepared according to the priorities based on the approved budget, the implementation schedule and the expected out puts or results of those activities, the plan of imprest requirements, annual procurement plan for the planned main development programmes and internal audit plan, that should be included as per the provisions of the above mentioned circular were not included in that annual action plan prepared by the medical supplies division which was only for that division on 25 February 2021 for the year under review. Although the total allocation made that division in the 2021 annual budget estimate is only Rs.475 million, 58 activities were planned with an estimated expenditure of Rs.8,559.30 million in the action plan. Out of the 58 planned activities, only 02 activities achieved 100 percent progress and financial or physical progress had not been recorded in respect of 36 activities which 56 percent of the action plan and estimated expenditure of Rs.4,786.4 million.

Due to the spread of Covid 19 in the year 2021, no action plan was prepared for the State Ministry due to the problems of reporting to duty, Financial allocations were not given to continue many activities as that were started in previous years and after the preparation of the action plan of the next year, if necessary, a revised action plan will be prepared.

Action should be taken as per the Public Finance Circular.

3.2 Operational Inefficiencies

The following observations are made.

Audit Observation

Comments of the Accounting
Officer

Recommendation

(a) According to the cabinet decision No. AMP/12/1602/509/005/-11 dated 13 December 2012, formulary revision committees were appointed to take decision on the introduction

The first committee meeting was held on 17 July 2020 with the approval of the Secretary of the Health due to the Covid

According to the cabinet decision and the order of the Public Accounts Committee,

of new medical supplies and the removal of inappropriate medical supplies and no medical supplies shall be procured for use in government hospitals in Sri Lanka without the recommendation of this committee. However, the formulary revision committees for the year 2020/2021 started in August 2020 and that was not completed by 20 June 2022 in accordance with the time schedule of the action plan prepared for the year 2021. The financial target was 71 percent and the physical target was only 58 percent as per the action plan as at 31 December 2021. Formulary revision committee reports for the year 2020/2021 had also not been released by 20 June 2022. The dates of the review committees were not communicated to the members of these committees in advance to enable them to actively contribute and Rs.1,150,000 had been spent for the year 2021, including a participation allowance and entertainment allowance for the committee members and other supportive officers for their participation in those committees without the approval of the treasury.

epidemic situation from 20 March 2020 to the month of May, 14 Committees were held in the year 2020 and 52 committees were held in the year 2021 and that the final report of the formulary revision committee has been directed to be prepared by the committee members, After the approval of the Secretary of the Health, it will be submitted by 30 June 2022 and the members of the formulary revision committee will be informed by phone calls, e-mails and mobile phone text messages and all payments have been made as per treasury circular No. 1822/1.

the formulary revision committees should be conducted in accordance with the time frame of the action plan and work to achieve the financial and physical targets. The dates of the meetings should be determined and letters of convening should be issued in advance. Since circular No. 1822/1 is not a treasury circular and as it is an internal circular issued by the Secretary of the Health, allowances should not be paid without formal treasury approval.

- (b) 21,678 items of medical supplies had been entered into the Medical Supply Management Information System as at 31 December 2021. Medical supply items are included in the management information system without the approval of the formulary revision committee due to various requirements such as change in requested volume, places the emergency orders, change in package contents, supply of capsules instead of pills, use of certain items as ingredients and change in supply specifications etc. As a result, a total of Rs.8,258 medical supply items including 557 pharmaceutical items, 5,557 surgical items and 2,144 laboratory items without formulary revision committee approval were entered into the computer system and that was 38 percent out of the total number of medical supply items entered into the computer system.

It is incorrect to state that 8,258 items of medical supplies were purchased without the approval of the formulary revision committee, in case of any medical supplies approved by the formulary revision committee, changes in the volume requested, supply of capsules instead of pills, change in the contents of the package, the medicines has to be procured, but a new SR number should be issued for inclusions in the system and that the formulary revision committee has approved the medical supplies.

Action should be taken to reduce the non-approval of budget review committees due to various reasons.

- (c) The medical supplies division had ordered 104 medical supply items worth Rs.67,520 million for the year 2021 without prescription review committee approval and the total value of Rs.60,955.6 million was paid as at 10 March 2022 as Rs.52,922 million for 22 items of medicines, Rs.2,924 million for 50 items of surgical materials and Rs.5,109 million for 32 laboratory items.
- Stock control officers have blocked access to the system to prevent re-orders from being issued for items that do not have prescription review committee approval.
- Should be purchased only medical supplies approved by the prescription review committee.
- (d) It was observed in the physical inspection on 28 March 2022 that 05 drug items worth Rs.120.29 million that should be kept at a temperature below 25 degrees Celsius were kept in warehouses with temperatures above 30 degrees Celsius and among those medicines, there were medicines used for allergies, diabetes and antibiotics.
- A temperature controlled warehouse of 28,000 square feet has been obtained from Veyangoda area yet and a warehouse of 49,000 square feet from Shavasthipura yet, In addition, the project to increase the storage facilities of medicines has improve the local storage facilities of 81 institutions by spending Rs.65.37 million in the year 2020 and Rs.233.34 million in the year 2021 and accordingly, it will be hoped to minimize these problems in future.
- Arrangements should be made to store medical supplies in standards condition.
- (e) Although the contract for the installation and repair of the central air condition system, which was started in the year 2013 and had a contract value of Rs.119.3 million, should be completed by 31 October 2016 according to the agreement, the work had been competed till 28 March 2022. But due to technical and environmental problems, this system could not be implemented and utilized. Due to this, the condition of medicines could not be satisfied due to non-maintenance of proper temperature in the warehouses in the year under review. The fire extinguishers in the storage premises containing medicines, surgical items and chemicals had expired since the year 2018, but it had not been serviced by 28 June 2022.
- Due to the technical errors that occurred during the construction of the modern technology centralized air condition system in the medical supplies division, Consultancy services have been requested from the State Engineering Corporation for related consultancy services, That it is hoped to act according to those recommendations in future and the relevant activities for the installation of fire extinguishers in the main warehouse have been done and the contract has been assigned on 30 May 2022.
- Action should be taken to complete the relevant contract work immediately and fire extinguishers should also be serviced on scheduled dates.

- (f) The medical supplies division had identified that an additional cost of Rs.5,166 million had to be incurred during the 10 years from 2007 to 2016 due to the purchase of medical supplies from the local market to avoid the shortage of medical supplies created due to the delay in the procurement process, but no steps were taken to identify and recover the responsible parties. An additional cost of Rs.575 million had been spent in the period of 04 years from the year 2016 to the year 2020, but out of Rs.254 million, only Rs.165 million had been recovered which were identified as suppliers are responsible by the Sri Lanka State Pharmaceutical Corporation. Steps were not taken to identify and recover from the parties responsible for Rs.292.7 million and another Rs.28 million incurred due to deficiencies in the order submission and procurement process for which the supplier is not responsible. No mechanism was identified during the year under review to recover from suppliers for the additional cost incurred by each hospital for medical supplies purchased from the local market. As a result, the government hospitals under the line ministry had purchased medical supplies costing Rs.852 million from the local market in the year under review, but could not recover the related additional cost.
- It has been analyzed the information on the additional cost identified as spent on the purchase of medicines from the local market and the information on the local purchases made by the hospitals due to delay in main order by State Pharmaceutical Corporation as at 30 May 2022 and that has been referred to the Internal Audit Committee for recommendations about how to act in this regard.
- Each hospital and medical supplies division should identify and implement a mechanism to recover the additional costs incurred for medical supplies purchased in the local market from suppliers.
- (g) The presence of visible particles, broken pills, colour change, does not conform to BP specification, microbial contamination etc. were identified among the defective medical supplies and as a result, it was removed or stopped from the usage. It was further observed that 56 medical supplies amounting to Rs.929,701,978, which were removed from the use in such a situation, contained medicines used for heart diseases, eye infections, and cancer and kidney diseases.
- Only those products with GMP certificates will be purchased in order to minimize the release of defective medicines to patients, there was no system to check the condition of the medicines before releasing them in the period before June 2020, but, after that, a system of testing has been started by taking samples from several batches of medicines and sending them to the laboratory of the State Pharmaceutical Corporation, these test reports will be given within 07 days
- Action should be taken to increase the number of laboratory tests to minimize the receiving of defective medical supplies and followed the other appropriate formal steps.

and the medicines will not be released until then, if the quality fail, a sample from the same batch will be sent to the National Drugs Quality laboratory for verification and the National Medicine Quality Assurance Laboratory is preparing plans to conduct tests for more drugs as the State Pharmaceutical Corporation has facilities to test only 316 types of drugs.

- (h) The National Medicine Quality Assurance Laboratory (NMQAL), operating under the National Medicine Regulatory Authority, was not able to check the condition before releasing the medicines to the hospitals. As a result, it has been observed since many years that most of the drugs have been used by the patients by the time of the drugs are reported to have quality failed, but even in the year under review, no system was implemented to check the condition of the drugs before releasing them to the hospitals. Ministry of Health, State Ministry or National Drugs Regulatory Authority had not used the pharmaceutical laboratory for that which was built in the Industrial Technology Institute (ITI) at an expenditure of Rs.99 million as an independent accredited third party laboratory for the development of the pharmaceutical sector in Sri Lanka and has been maintaining since the year 2019.
- The Urban Development Authority has informed that it is necessary to pay compensation for the eviction of the squatters residing on the land under the Ministry of Agriculture in Narahenpita, which is under the Urban Development Authority, that discussions are being held with the relevant parties for those activities, but it has not been possible to reach a final agreement between the two parties yet and after the correct determination of the amount of compensation to be paid, a cabinet paper will be presented in future to take over the land accordingly.
- It should be explored whether the pharmaceutical laboratory of Industrial Technology Institute (ITI) can be used for this purpose as an independent accredited third party laboratory.
- (i) It was reported to the audit that due to the delay in issuing notification circulars about defective drugs, with the aim of preventing the delivery of defective drugs to patients, the PRONTO computer system will inform the relevant hospitals and institutions of the orders to stop the use of medical supplies from the year 2020, but the objective could not be completed in the year under review due to the PRONTO computer system has not been installed in 1,381 hospitals out of the total
- That notification circulars about defective medicines are issued to hospitals by the PRONTO computer system yet and a system called Swastha is being established due to the weaknesses identified in the PRONTO system and it is expected that the notification circulars about the failed medicines will be
- Should be ascertained the ability to complete the objective.

hospital system of 1,521 and the project to expand the system to the local hospital level (MSMIS expansion project) has been stopped by 31 December 2021 and the work of establishing a new information management system called as “Swastha” has a contract value of Rs.101.8 million was awarded to a private company.

given to the hospitals without delay.

- (j) The policy was to issue orders with a lead time of 11 months for the purchase of estimated items, but more than 11 months or more than 11 months had been spent on procurement because a procurement schedule had not been followed. It was taken between 12 months and 27 months to complete the procurement of certain orders issued by the medical supplies division in the years 2020 and 2021.

Since priority was given to the purchase of vaccines required for the Covid epidemic and the provision of other materials including oxygen from the State Pharmaceutical Corporation, it was not possible to proceed according to the procurement schedule in the years 2020/2021 and had to proceed according to the need.

A formal system should be done to monitor the ordering and progress of orders and minimize delays in the procurement process.

- (k) The medical supplies division submit the order lists related to each year with a lead time of 11 months to the Sri Lanka State Pharmaceutical Corporation through the medical supplies management information system- MSMIS computer system, but it was taken more than 18 days to send the written copies of the orders issued to the corporation through the computer system to the import division of the corporation and as the procurement activities were started only after that, a considerable time of the 11 month supply period was spent on the process of issuing and receiving orders. Although the order lists related to 08 vital items and 41 out of 90 orders related to essential drugs were issued to the State Pharmaceutical Corporation of Sri Lanka through the computer system in the first two months of the year, it was taken between 18 days and 06 months to send the written copies of the order lists to the import division of the State Pharmaceutical Corporation. 34 orders had been issued to the corporation for the years 2021 and 2022, but the relevant officials had failed to complete the procurement related to 27 orders by 31 May 2022.

That a period of 18 days has elapsed from the date of release of the order for providing the written copy and that the date of release of the order should be considered as the actual date of order, at the beginning of the year, the medical supplies division issues orders by cancelling, stopping and delaying the orders according to the need of the next year, the existing stock position, and the consumption pattern, preventing the occurrence of excess stock, It may take more than 11 months to supply the relevant medical supplies, which is not actually a procurement delay and a delay in procurement due to the stock requirement of the medical supplies division.

It was observed as the date of actual order is the date of release of orders has been considered and due to that, necessary action should be taken to submit the respective orders properly through the computer system.

- (l) There should be a proper connection and coordination between the medical supplies division, the Ministry of Health, the State Pharmaceutical Corporation of Sri Lanka and the State Pharmaceutical Manufacturing Corporation of Sri Lanka, which are mainly involved in the management of medical supplies, but it was observed that there was no such connection and coordination for many years and it was observed that the work related to the order was being carried out by those institutions in isolation. The medical supplies division had not taken adequate steps to monitor the progress of the approximately 13,000 items of medical supplies for the following year from many years.
- After the establishment of the State Ministry of Production, Supply and Regulation of Pharmaceuticals, progress on supply chain management will be made monthly and that special attention will be given to items with stock levels of more than 03 months.
- A proper coordination should be maintained between the government institutions such as medical supplies division, Ministry of Health, Sri Lanka State Pharmaceutical Corporation, Sri Lanka State Pharmaceutical Manufacturing Corporation regarding the orders issued by the MSMIS system.
- (m) Although the facility of updating the progress related to the relevant order by including each step in the system (Status) from ordering the medicine to the time of receiving the stock through the computer system had provided to all the above institutions, the date of the technical evaluation of the relevant tender, the date of the decision of the procurement committee, the opening date of the letters of credit etc. were not immediately taken due to the corporation had stored the information related to the order through other computer spread sheets (Excel). Due to this, it was observed that it takes more time to check and decide who is responsible for the delay in the procurement as well as to know the current progress of the order instantly.
- Even though medicine orders are issued by the medical supplies division through the MSMIS system, there is no facility for a web interface to enter the information of purchase conditions required for procurement, Therefore, this system will not be used for procurement and future work and accordingly, a new system will be used to avoid these deficiencies in future.
- The facility of updating order related progress has been provided by the computer system to State Pharmaceutical Corporation of Sri Lanka and due to that, it should be utilized to update the order related progress.

3.3 Projects implemented by the Local Funds

 The following observation is made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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<p>As only 15 percent of the current local drug requirement is produced about 15 institutions including the State Pharmaceutical Manufacturing Corporation, it had been taken the approval of cabinet of ministers on 17 November 2020 to establish a special pharmaceutical production zone for pharmaceuticals in Hambanthota Arabokka estate at an estimated cost of Rs.2,460 million with the aim of increasing local production to 40 percent by the year 2025 and attracting investment in pharmaceutical production. This investment zone was planned to be implemented in two phases in a land area of 400 acres and for the establishment of 20 pharmaceutical manufacturing companies in 200 acres in the first phase and another 20 pharmaceutical companies other 200 acres in the second phase. According to the cabinet decision, an additional allocation of Rs.250 million has been made to the State Ministry to start the construction of the project area by the end of the first quarter of the year 2021 and to supply the provision of infrastructure in the first phase by 31 December 2021. However, only Rs.197.20 million had been spent out of the total allocation of Rs.250 million for the year under review and the balance was Rs.52.80 million or 21 percent of the total allocation. The reason for the balance was that the allocation of Rs.50 million, which was made for the access road connection, was not given to the Road Development Authority. Rs.53.20 million was given to the Ceylon Electricity Board for providing electricity and Rs.144 million to the National Water Supply and Drainage Board for providing water supply in the year under review, but arrangements had not been made to bring the related receipts and carry out a physical inspection of the completion of the work even on 20 June 2022. It was planned to spend Rs.360 million from the funds of the Board of Investment in the year 2021, but the information regarding the progress of those tasks was not submitted for the audit.</p>	<p>That the demand for the construction of access roads was not made by the Board of Investment and therefore, no payment was made for the same, this project is being carried out under the supervision of the Sri Lanka Board of Investment as per the recommendation of the Board of Investment, Rs.53.2 million was paid for the electricity supply to the region and Rs.144 million for water supply and that the relevant work had been recommended by the Board of Investment and the progress of the work planned to be spent with the funds of the Board of Investment would be obtained from the Board of Investment and submitted for audit.</p>	<p>The progress of construction of the investment zone should be monitored in time.</p>

3.4 Procurements

The following observations are made.

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(a) It was the policy of the medical supplies division to issue orders to the State Pharmaceutical Corporation for purchase of estimated medical supplies with a lead time of 11 months. However, about 90 percent of those orders were not delivered on time. Spending more time than the planned time for the procurement process at various levels and the delay of the supplier caused the delay in the supply of medical supplies, but appropriate measures were not taken to properly identify the reasons and minimize the delays. Due to this delay, medical supplies at a very high cost were purchased from the local market every year and medical supplies worth Rs.852 million were purchased from the local market in the year under review. Although the Public Accounts Committee had ordered on 17 November 2021 that an analysis of the delayed supply of drugs should be by the internal audit unit of the ministry and a detailed report should be given to the committee within a month. No such report was submitted to the committee by the internal audit unit of the ministry.</p>	<p>The number of medicines to be supplied in one year is more than 15,000 and that an analysis of the time taken to supply those medicines will be done and further steps will be taken.</p>	<p>The estimated 11 month supply period spent on procurement of medical supplies should be reviewed.</p>
<p>(b) There was a shortage of 23 drug items due to factors such as the stock receiving schedules of 23 items of drugs that had been ordered for the year 2020/2021/2022 as indicated in the 2022 list of shortage drugs submitted for audit by the State Ministry have been constantly revised, the orders have been temporarily stopped by the medical supplies division and the procurement committees, the orders have been cancelled and reduction in demand due to the spread of covid-19 disease.</p>	<p>Stock receiving schedules are constantly revised due to fluctuations in demand, stopping orders, cancellation of orders, decrease in demand due to covid 19 pandemic, receiving the pre-orders to be received, delays in receiving orders, storage facilities, expiry dates of stocks, stock values, availability of different dosages on the same drug, availability of substitute drugs, stock failure in condition etc. and by making amendment it will be possible to reduce stock damage caused by unnecessary stocks.</p>	<p>All necessary measures should be formally taken to minimize the occurrence of stock shortage.</p>

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| <p>(c) There was a shortage of anti-rabies serum which is a very vital medicine given to patients exposed to rabies due to the order for the year 2020 has been canceled by the medical supplies division in 7 months after the order was issued, the order for the year 2021 and 2022 has not been submitted, the order issued for the year 2019 has been revised again after 21 months etc. Furthermore, due to the supplier being selected to purchase the Anti-Rabies (TC) vaccine required for rabies care 12 months after the order was issued for the year 2022, the stock level of this item in the medical supplies division as at 22 April 2022 is only sufficient for less than one month.</p> | <p>The stock orders have been temporarily stopped due to considering the available stock and average monthly requirement, that a technical evaluation committee made a full evaluation and investigated the appeals and the procurement committee of the state ministry was able to complete this procurement before long time of the stock supply period regarding the appeals received about this procurement and their technical matters, A stock of 55,000 that was temporarily stopped from the 2019 order was re-requested due to the need for restocking and as the stock of 30,000 that was notified to be supplied immediately was not received, resulting in a shortage of stock since part of the existing stock had expired at that time.</p> | <p>Arrangements should be made to follow up on orders and submit revised orders promptly. All necessary measures should be formally taken to minimize the occurrence of stock shortage.</p> |
| <p>(d) The order for the year 2022 of Streptokinase vaccine used for heart disease, which was a vital drug, was out of stock as at 22 April 2022 and it was issued to the State Pharmaceutical Corporation of Sri Lanka in January 2021, but the tender was canceled in twice due to non-submission of bids from suppliers. As the tender was still under evaluation by March 2022, shortage of stock had been created.</p> | <p>Tenecteplase 40 mg has recently been introduced as a new drug since it does not provide the expected results according to the latest result and the drug Streptokinase has more complications, due to this, the demand for the drug Streptokinase has decreased, as only 504 items are required per year and there are no registered suppliers for this, procurement activities have been delayed.</p> | <p>All necessary measures should be formally taken to minimize the occurrence of stock shortage.</p> |
| <p>(e) Tenecteplase 40 mg vaccine was purchased instead of the vaccine due to the side effects caused by the use of Streptokinase vaccine. The medical supplies division had decided on 14 September 2021 to cancel the order submitted for the year 2022 as the stocks to be received for the orders issued in previous years for Tenecteplase 40 mg vaccine are sufficient. But, there was a shortage of stock in the</p> | <p>According to the new medical research results, although the Tenecteplase 40 mg vaccine contributes more results, the price is very high compared to the Streptokinase vaccine, so due to the financial crisis in the country, the possibility of using the</p> | <p>-do-</p> |

medical supplies division by 22 April 2022 as there was stock for less than 02 months.

Streptokinase vaccine is being explored again.

- (f) There was only stock for Suxamethonium chloride vaccine used for anesthetic purposes for less than 02 weeks in medical supplies division as on 22 April 2022 due to reasons such as letters of credit being issued more than 24 months after the order was issued and orders being amended for various reasons and stocks were kept for less than 02 months in hospitals.

That the information system is constantly studied and revised orders based on reasons such as annual stock orders, donations received, stock receiving of previous orders, fluctuations in stock usage etc., By doing that, it is possible to prevent the accumulation of unnecessary stock, thereby preventing wastage of drug stock and that the ordered stock of 70,000 Suxamethonium Chloride has been received by 03 May 2022.

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- (g) Cetirizine HCL syrup, which is vital drug used for allergies, was out of stock on 22 April 2022 due to that letters of credit were issued more than 27 months after the order was placed, orders were rejected and canceled for various reasons and no order was placed by the medical supplies division for the year 2022 and the hospitals had only enough stock for about 05 weeks. The stock levels at Castle Street Women's hospital, Kurunegala teaching hospital, and Badulla general hospital had reached zero by 22 April 2022.

Annual stock orders, receiving of donations, stock receiving of previous orders, fluctuations in stock usage are constantly studied and orders are revised to prevent accumulation of unnecessary stock and wastage of medicine stock, Cetirizine HCL syrup is in short supply in the medical supplies division but some hospitals have sufficient stocks, It takes about 02 months to receive the order submitted to the State Pharmaceutical Manufacturing Corporation (SPMC) at now and the drug syrup Chlopheniramine, which can be used as a substitute for this drug, is available in the stock of the medical supplies division for 03 months and therefore that patients are not affected by drug shortages.

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- (h) Due to not making the right decisions and not planning properly in the procurement of the order for the year 2021, shift from cabinet standing procurement committee level to ministry procurement committee level, periodic change of order size, change from Ministry of Health procurement committee to State Ministry procurement committee due to change in the scope of the ministry and again from State Ministry procurement committee level due to increase in contract value, due to the fact that it has taken approximately 02 years to receive the drug stock and the order issued on 23 February 2021 for the year 2022 is still under evaluation, Meropenem 1 g vaccine, which is an vital life-saving drug, will have less than one month's stock in the medical supplies division and hospitals by 22 April 2022. Due to this delay, this drug, which could be purchased for Rs.481 per unit, was purchased by government hospitals from the local market in the year 2021 at various prices ranging from Rs.1,956 to Rs.4,697 per unit at an expenditure of Rs.49.52 million.
- This procurement has been referred to the procurement committee appointed by the cabinet, accordingly a technical evaluation committee has also been appointed, However, those activities re going on and according to the issued procurement manual 35, this procurement was again referred to the ministry procurement committee, Later, as it was decided to increase the quantities purchased on demand, the approval limit was again increased to the level of the standing procurement committee appointed by the cabinet, However, after considering the financial situation of the country, it was decided to reduce this amount to the original amount and again the procurement committee was referred to the cabinet procurement committee and the reason for the shortage of this drug is that depends on the situation due to non-payment of the first 50 percent of the procurement.
- (i) The remaining construction contract of building No. 02 in Angoda sub warehouse was awarded to a private company on 18 July 2018, but a contract agreement was not entered as per guideline 8.9.1 (a) of the Code of Government Procurement Guidelines. After giving an advance of Rs.688,789 on 11 November 2018, Rs.1,072,867 was paid to the contractor on 16 February 2019 and retained deposit was Rs.137,939 on completion of 40 percent of work by 14 January 2019. The contract was terminated on failure to complete the construction satisfactorily, but by then the advance bond and performance bond had expired. The loss of Rs.934,971 had not been recovered by 20 May 2022. Also, the necessary steps were not taken to complete the remaining parts of the construction.
- Comments will be submitted in future.
- Should be identified the reasons for not entering into an agreement and not taking the necessary measures before the expiry of the advance bond and performance bond and responsible officers and action should be taken to recover the loss and take necessary steps to complete the remaining work.

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| <p>(j) The total gauze order of the medical supplies division is estimated at 30,000,000 meters and based on the list of 421 suppliers purchased in the year 2020 according to the cabinet approval No. AMP/21/1347/309/078/TBR dated 03 August 2021; orders had been awarded and purchased based on the ration system or capacity of the suppliers during the year under review. However, on-site inspections of 261 suppliers were not carried out as recommended by the surgical gauze ration determination committee and purchases were made based only on the documents submitted by the suppliers and without considering the lack of licenses from the Drugs Regulatory Authority as well as the lack of quality reports obtained from the Industrial Technology Institute (ITI) in accordance with section 82 of the National Drugs Regulatory Authority Act No. 05 of 2015.</p> | <p>An on-site inspection of suppliers is being carried out.</p> | <p>According to the cabinet approval and the decision of the surgical gauze ration determination committee, suppliers should be registered.</p> |
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3.5 Losses and Damages

The following observation is made.

Audit Observation	Comments of the Accounting Officer	Recommendation
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<p>There were no formal measures taken to identify report and recover or cut off drug-related losses and damages. According to the correct time analysis of losses to be further recovered or cut off under note (i) of the financial statements, there were 72 cases amounting to Rs.281.15 million less than 05 years, 140 cases amounting to Rs.91.90 million between 05 years and 10 years and 73 cases amounting to Rs.79 million over 10 years. But, no action was taken to recover or cut off those losses.</p>	<p>Arrangements are being made to appoint basic inquiry committees to determine those responsible in terms of Financial Regulations 104(1) to settle these matters.</p>	<p>Should be act in accordance with Financial Regulations.</p>

4. Achievement of Sustainable Development Goals

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
<p>In order to achieve the objectives of 3.6, 3.9,11 and 11.2 of the Sustainable Development Act No. 19 of 2017, resources should be efficiently managed. Furthermore, the state ministry should fulfill the two goals of strengthening treatment to prevent the misuse of dangerous drugs and avoiding misuse included with harmful alcohol use included in the performance target 3.5 of achieving the sustainable development goals prepared by the Ministry of Health and the achievement of universal health coverage including protection from financial risks, access to quality essential health care services, access to safe, efficient, quality and affordable , essential drugs and the immunization for all, which are included in the goal 3.8, but the programmes were not prepared for that.</p>	<p>Although it is possible to carry out related programmes to fulfill sustainable development goals due to the prevailing Covid situation, the state ministry has fulfilled the matters such as security from financial risks, access to quality essential health care services, as well as the ability to obtain safe, efficient, quality and affordable essential drugs and vaccinations for all and that programmes will be prepared for that in future.</p>	<p>Resources should be efficiently managed to achieve the objectives of the Sustainable Development Act.</p>

5. Good Governance

5.1 Rendering Services to Public

The following observations are made.

Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
<p>(a) An information officer had been appointed to deal with the information requested by citizens under the Right to Information Act No. 12 of 2016, but no officer had been appointed to deal with appeals.</p>	<p>That an Appellate Officer will be appointed.</p>	<p>An officer should be appointed to deal with appeals.</p>
<p>(b) A citizen/ client charter was not prepared and executed as per Public Administration Circular No. 05/2008 dated 06 February 2008 as amended by Circular No. 05/2018 (1) dated 24 January 2018. According to paragraph 2.1 of the said circular, the necessary coordination was not done for the preparation and implementation of the</p>	<p>Due to prevailing covid situation, it is not possible to prepare and implement a citizen/client charter and make the necessary coordination for the preparation and implementation of the charters of two corporations under the</p>	<p>A citizen/ client charter should be prepared and executed.</p>

charters of the two corporations under the State Ministry. As a result, the ministry had also lost the prescribed amount of marks in the annual performance evaluations of the institutions under the supervision of the Public Accounts Committee of the Parliament of Sri Lanka.

State Ministry and a charter will be prepared and implemented in future.

5.2 Audit and Management Committee

The following observation is made.

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>Although 04 audit and management committee meetings should be held per year as 01 per quarter according to the Management Audit Circular No. DMA/2009 (1) dated 09 June 2009, No. DMA/2009(1) (i) dated 28 January 2016 and No. DMA/1-2019 dated 12 January 2019, only 02 audit and management committee meetings were held for the year under review.</p>	<p>Since the position of Chief Internal Auditor and 02 auditor positions were vacant, 02 audit and management committee meetings have been held in the year 2021.</p>	<p>Should be act as per the circular provisions.</p>

6. Human Resource Management

The following observation is made.

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>Out of the 718 approved posts for the medical supplies division, 221 posts were vacant as at 31 December 2021 and 161 posts out of that had been vacant from many years was hindered for the regular and efficient process of the medical supplies division. Also, one employee was employed in an unapproved position in the medical supplies division and 06 employees were employed redundantly in 03 approved positions.</p>	<p>Interviews are being conducted for promotion and officers are being selected and appointments are being made, An officer has been appointed for one of the 02 special grade pharmacist vacancies, The Ministry of Public Services, Provincial Councils and Local Government has been informed to fill up the vacancies for 08 more posts and that recruitment is underway for other departmental posts based on the service requirement.</p>	<p>Action should be made to properly fill vacancies and remove redundant employees as remove the existing obstacles to maintain the medical supply process in an orderly and efficient manner.</p>