

## Head 220 - Department of Ayurveda - 2022

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### 1. Financial Statements

#### 1.1 Qualified Opinion

The audit of the financial statements of the Department of Ayurveda for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance and cash flow statement for the year then ended was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No.19 of 2018. The summary report containing my comments and observations on the financial statements of the Department of Ayurveda was issued to the Accounting Officer on 23 May 2023 in terms of Section 11(1) of the National Audit Act, No.19 of 2018. The Annual Detailed Management Audit Report relevant to the Department was issued to the Accounting Officer on 29 May 2023 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 Department of Ayurveda as at 31 December 2022, 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 Accounting Officer for the 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 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 Department 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 Department 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.

## 1.5 Auditor's Responsibility for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue 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 judgments 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 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 following recommendations made by me on the financial statements of the preceding year had not been implemented.

(c)

<b>Reference to the Paragraph of the report related to the preceding year</b>	<b>The recommendations which have not been implemented</b>	<b>Reference to the paragraphs of this report</b>
1.6 .3 (a)	The security register should be maintained in an updated manner so as to include the details specified in Financial Regulation 981(1).	1.6.4 (a)
1.6 .3 (b)	The damages and losses register should be maintained in an updated manner as per the Financial Regulations 110.	1.6.4 (b)
2..3 (a)	Action should be taken to establish a formal legal framework for the regulation of Panchakarma and massage centers.	2.3 (a)
2..3 (d)	Action should not be taken to pay overtime allowances and holiday pays for the time which is not confirmed by the finger scanners as per the Public Administration Circular No.09/2009 dated 16 April 2019.	2.3 (c)
2.4	Action should be taken in accordance with Provisions of the Establishments Code and the National Budget Circular to recover the loans, and officials who have not fulfilled the responsibility should be dealt with according to the Financial Regulations 104 (2) "b" to impose surcharges.	2.1
3.2 (b)	In terms of State Finance Circular, the performance reports should be prepared in the prescribed format and tabled in parliament within the due timeline.	3.4 (b)
3. 3	Project proposal should be implemented only for the achievement of essential and priority objectives by economically using the government funds and procurement should be conducted by maintaining written evidence to confirm that procurement guidelines were correctly followed and conducted in a transparent manner.	3.5

- 3.5 Action should be taken to recover the arrears forthwith by taking legal action, or to impose surcharges for the responsible officers in terms of Financial Regulation 104 (2) “b”. Action should be taken to introduce control systems to ensure updated and continuous coordination between the personnel management and salary control divisions. 3.7 (ආ)
- 3.7 Action should be taken to effectively use all the machines purchased without recognizing the correct requirement and without conducting a proper feasibility study by providing them to the Ayurvedic hospitals or for the use of manufacturing drugs in the Ayurveda Corporation. Necessary measures should be taken regarding all the officers who were involved in this irregularity. 3.8 (ඉ)

## 1.6 Comments on the Financial Statements

### 1.6.1 Accounting Deficiencies

#### The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) A value of Rs. 2,318,020,000 pertaining to 12 parcels of land, of which the ownership had not been lawfully vested in the Department even by the end of the year under review, had been stated under the non-financial assets of the financial statements. Further, the value of 07 parcels of land, the value of which had been identified, was not identified and brought to account.	The facts indicated are agreed upon. Since the land acquisition activities are still in progress, the relevant adjustments will be made in the accounts after obtaining the assessed value of the acquired lands.	Expeditious action should be taken to get the ownership of the lands vested in and to make relevant adjustments in the accounts.
(b) According to the Asset Management Circular No. 1/2023 CGO/ASM/Policy/Cir/(VOL III) dated 18 January 2023 issued by the Ministry of Finance, Economic Stabilization and National Policy, the value of the buildings owned by the Department and reported to the Comptroller General as at 31 December 2022 was Rs. 567,396,547	The matters pointed out are agreed upon. The issues concerning the land ownership and the assessment value contributed to this difference, and prompt action will be taken to complete the relevant activities and correct the	Expeditious action should be taken to get the ownership of the lands vested in and to make relevant adjustments in the accounts. Accurate facts should be reported to the

- and the valued posted to accounts was Rs. 1,161,120,186. Accordingly, a net difference of Rs. 593,723,635 was observed. The failure to report 14 buildings worth Rs. 563,416,490 to the Comptroller General, understatement of the value of the buildings in Borella by Rs. 93,934,658 and overstatement of the Thirappane Community Health Center buildings by Rs. 7,430,962 in reporting them to the Comptroller General, as well as not accounting for the value of Rs. 56,196,547 of the reported 12 buildings had contributed to this difference.
- (c) Although Rs.10,905,422 had been adjusted to the opening balance under the Object of machinery and equipment as per the Zigaz computer printouts, related detailed information had not been prepared and those amendments had not been disclosed by the notes to the accounts.
- (d) According to the statement of non-financial assets maintained in the Zigaz computer system of the department, office equipment and electrical equipment balance of Rs. 90,875,713 had been stated as Rs. 91,218,614, thus overstating by Rs. 342,901, while the medical equipment balance of Rs. 275,315,783 had been stated as Rs. 273,099,263, understating by Rs. 2,216,520 in the financial statements.
- (e) The computer accessories balance, electrical equipment balance and the medical equipment balance stated under the non-financial assets amounted to Rs. 5,881,397, Rs. 14,835,143 and Rs. 275,315,783, respectively. However, the purchases of Rs. 10,375,439,
- values in the future accounts reports.
- Comptroller General.
- Action was taken in collaboration with the State Accounts Department to rectify the deficiencies in the accounts of the preceding year, and accordingly, this difference occurred. Action will be taken to correctly identify the defects in consultation with the State Accounts Department and correct such defects.
- The all values stated in the register of assets in the Zigaz system and the financial statements are equal and action will be taken to correct the highlighted defects in consultation with the State Accounts Departments.
- Action will be taken to correct the classification errors in the future. Since the computers were purchased through the Objects of the Ministry of Health, those will be entered in the register
- Action should be taken to disclose by the detailed notes the abnormal adjustments made in the accounts.
- Classification should be correctly done in accounting for the non-financial assets.
- When the non-financial assets are posted to accounts those should be correctly classified. It should be ensured that the acquired assets will be recorded under the

Rs. 6,273,197 and Rs. 3,638,628, respectively made during the preceding years had been stated under the office equipment without stating under the relevant Objects. Further, the purchase of computers worth Rs. 20,729,160 during the year under review had not been stated under the computer accessories in the non-financial assets.

of assets after receiving non-financial assets during the related year. transfer orders so as not to occur duplicate entries error in the ensuing year.

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| (f) | Although a van costing Rs. 8,400,000 purchased in the year 2012 from the Toyota Lanka Ltd. under the lease installments payment method had been taken over by the Department on completion of the period of lease, it had not been brought to account as non-financial assets.   | The relevant van has been transferred to the Department on 29 November 2022 and its value could not be included in the financial statements due to a mistake.  | Action should be taken to account for relevant value as non-financial assets.                 |
| (g) | Without capitalizing the cost of work completed buildings and structures, the total expenditure incurred from the year 2018 to the year under review for the constructions had been stated under the work-in-progress. Accordingly, the balance of the work-in-progress account as at 31 December of the year under review had improved up to Rs. 1,035,539,978. | The total expenditure incurred on the buildings completed from the year 2018 to the year under review has been stated under the work-in-progress till the final work reports and certificates of conformity of the structures are received, and action will be taken to correct accounts by properly carrying out this matter. | Action should be taken to capitalize the cost of the work completed buildings and structures. |

## 1.6.2 Lack of Evidence for Audit

Audit Observation	Comment of the Accounting Officer	Recommendation
Although the financial statements reported that the Department owns the vehicles valued at Rs. 93,944,999, detailed information of each vehicle had not been stated in the Zigas computer system. As such, it was not possible to confirm that the value of all the vehicles owned by the Department was depicted in the financial statements.	Details of vehicles worth Rs. 93,944,999 have been included in the statement of non-financial assets maintained in the Zigas computer system. Action will be taken to include the value of all the vehicles of	Action should be taken to maintain adequate reports in the zigas system including details of each vehicle.

the Department in the financial statements in the future.

### 1.6.3 Liabilities and Commitments

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Although it was confirmed according to the accounts of the Sri Lanka Aurvedic Drugs Corporation that a sum of Rs. 11,334,668 was payable to the Corporation for the drugs purchased, the relevant liability had been stated as Rs. 7,027,978 in the record of liability and commitment of the Department.	All the liabilities reported by 28 February 2023 have been included in the liability account and the matter stated in the audit observation will be looked into and necessary steps will be taken accordingly.	The correct liability should be identified by comparing with the information of the Sri Lanka Ayurvedic Drugs Corporation and accordingly, it should be stated in the record of commitment and liability.
(b) Although it was confirmed according to the accounts of the Sri Lanka Aurvedic Drugs Corporation that a sum of Rs. 1,272,068 was payable to the Corporation as at 31 December of the year under review for the drugs purchased in preceding years, that liability had not been included in the record of liability and commitment of the Department.	All the liabilities reported by 28 February 2023 have been included in the liability account and the matter stated in the audit observation will be looked into and necessary steps will be taken accordingly.	All the liabilities should be correctly identified and stated in the record of commitment and liability.

### 1.6.4 Non-maintenance of Registers and Books

It was observed during the audit test checks that the Department had not maintained following certain registers, while some other documents had not been properly maintained in an updated manner.

Type of Register	Relevant Regulation	Observation
(a) Record of losses and damages	Financial Regulation 110	Not updated.
(b) Security Deposit Register	Financial Regulation 891(1)	Not maintained.

## 2. Financial Review

### 2.1 Advance Accounts Balance

The following deficiencies were observed in accounting for the balances of the advance accounts as at the end of the year.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) In terms of Sections 1.6, 1.7 and 6.3 of Chapter XXIV of the Establishments Code and Paragraph 1.1.7 of National Budget Circular No. 118 dated 11 October 2004, the loan balances of the transferred officers shall be settled within three months. Nevertheless, loan balance totaling Rs. 314,439 of 09 officers that remained unsettled for more than 05 years from their transfers and loan balance totaling Rs. 177,760 exceeding 08 months as at 31 December 2022 had not been settled.	Out of loan balances of Rs. 316,249 of 10 officers that remained unsettled for more than 05 years period from the transfers as at 31 December 2021, one balance amounting to Rs.1810 has been settled, and details of 06 officers with total loan balance of Rs. 179,023 are not available.	Action should be taken according to the provisions of the Establishments Code and the National Budget Circular and to recover the relevant amount according to the Finance Regulation 104 (2) "b" from the officials who have not fulfilled the responsibility of doing so.



- (b) In terms of provisions of Section 4.2.4 of Chapter XXIV of the Establishments Code, when an officer is due to retire, details of all debts due from the officer should be submitted to the Director of Pensions, and as per the Section 4.2.5, all the dues from the officer should be recovered from his commuted pension or gratuity. Nevertheless, action had not been taken to recover the debt balance of Rs. 393,510 of 08 officers, despite the elapse of 20 months from their retirements as at 31 December 2022.
- The personal files of 03 officers, with total debt balance of Rs.62,050, cannot be found. Since the pension gratuity of 02 officers, with debt balances totaling Rs. 181,160, has not been paid, action will be taken to recover the balances from the gratuity payments. As the period of service of 03 officers related to the debt balances totaling Rs. 150,300 is not sufficient, they are not entitled to a pension or a gratuity payment
- The officers who did not submit the details of all debts due from an officer when he was due to retire to the Director of Pensions, approved the retirement of officers who had not completed the service period relevant to receiving pension rights without recovering the debt, and the officers who did not exercise due care about the security of the files should be dealt with according to Financial Regulation 104 (2) “b”.
- (c) According to Sections 4.5, 4.6 and 6.3 of Chapter XXIV of the Establishments Code, Paragraph 03 (b) of Public Finance Circular No. 05/2019 dated 27 June 2019 and Section 04 of State Accounts Circular No. 262/2017 dated 29 December 2017, arrangements should be made to settle the debt balances of deceased officials. Action had not been taken to recover the debt balance totalling Rs. 599,344 due from 07 deceased officers, despite the elapse of 12 months from the deaths of the officers as at 31 December 2022.
- Since the death gratuity of 04 officers related to debt balances totaled Rs. 367,544 has not been paid, arrangements will be made to recover the dues at the time of their payment and personal files of 03 officers whose total debt balance is Rs.231,800 cannot be found.
- Action should be taken in accordance with the Establishments Code and the relevant financial circulars, and measures should be taken as per Finance Regulation 104 (2) “b” to recover the relevant money from the officials who were careless in the security of personal files.

- (d) In terms of Section 21.3 of Chapter XLVIII of the Establishments Code, it is necessary to complete the disciplinary inquiries conducted on the interdicted officers as immediately as possible. However, due to not completing such inquiries, it was not possible to recover Rs. 425,060 of 04 interdicted officers, despite the elapse of 01 to 03 years from their interdiction and Rs. 127,060 of 05 officers, despite the elapse of more than 05 years from the interdiction.
- Action will be taken to recover the debt of Rs. 275,000 of the 03 officers, whose period of interdiction had elapsed between 01 and 03 years, on completion of the disciplinary inquiry, and the other officer with the debt balance of Rs. 150,060 has been informed through the letters to settle the relevant debt. Further, arrangements are being made to settle the debts related to the 05 officers whose interdiction period has elapsed more than 05 years.
- The debts recovery should be expedite through follow up process and adequate supervision. Action should be taken in accordance with Financial Regulation 104 (2) "b" to recover this amount from the officers who did not fulfill the responsibility to comply with the provisions of the Establishments Code.
- (e) In terms of Section 3 (e)(ii) of the Public Finance Circular No.05/2019 dated 27 June 2019, although the debts of the officers who had vacated the service but were not reinstated should be recovered through the Attorney General once their assets are confirmed by the Divisional Secretary, following an inquiry into their residency through the submission of the National Identity Card of those officers to the Election Commissioner, the total debt balance of Rs. 1,147,660 due from 22 such officers who had vacated the service by 31 December 2022 had not been recovered and Rs. 766,160 or 67 per cent of which were the balances older than 05 years.
- It has not been possible to discover adequate information to take action in accordance with the circular. Six officers have been informed by letters to settle their debts totaled Rs. 384,230 and further action on the distress loans of 10 officers totaled Rs. 381,930 will be taken after finding out the relevant loan files.
- After identifying the officers responsible for the failure to discover sufficient information to take action according to the circular, action should be taken in accordance with Financial Regulation 104 (2) "b" to recover this amount from those officers.

## 2.2 The Certification to be made by the Accounting Officer

Although the Accounting Officer should have ensured the following matter in terms of provisions of Section 38 of the National Audit Act, No.19 of 2018, action had not been taken accordingly.

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>The Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department 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 review should have been done in writing and the a copy thereof should have been submitted to the Auditor General. However, the statements to the effect that such review had been carried out were not submitted to the Audit.</p>	<p>The departmental circulars prepared and updated in relation to the internal control of the Department have been issued at present and after informing by the Accounts Division, Salary Division and the Supply Division, relevant instruction letters have been issued to the relevant heads of institutions.</p>	<p>Action should be taken in accordance with the provisions in Section 38 of the National Audit Act, No.19 of 2018.</p>

### 2.3 Non-compliance with laws, rules, and regulations

The instances of non-compliance with laws, rules, regulations and management decisions observed during the course of audit test checks are analyzed below.

Audit Observation	Comment of the Accounting Officer	Recommendation	
Reference to laws, rules, and regulations	Non-compliance		
(a) Ayurvedic Act No.31 of 1961	In terms of Section 10 of the Act, ayurvedic hospital, ayurvedic pharmacy, ayurvedic dispensary or ayurvedic store, shall be registered by the Ayurvedic Commissioner, provisions for the registration of Panchakarma and massage centers had not been included in the Act. As such, the use of Panchakarma medical practice could not be regulated.	The massage centers cannot be regulated in terms of Section 10 of the Ayurvedic Act, and the registration has been approved only for the hotels and other tourist attractions approved by the Tourist Board under the directives of the Secretary to the Ministry of Indigenous Medicine.	Action should be taken to establish a formal legal framework for the regulation of Panchakarma and massage centers.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) Financial Regulation 770 (4)	Action had not been taken even by 20 May 2023 to repair and use a jeep and a van that had been taken out of service for many years.	About 80 percent of the repair work on the jeep has been completed by now, and the repair work on the van has been delayed due to the inability to import its spare parts.	Action should be taken in accordance with Financial Regulations.
(ii) Financial Regulation 880 and 881	Twenty officers of the Department of Ayurveda and 09 related institutions who are required to deposit securities had not so deposited securities even by 31 March 2023.	The officers who are required to deposit securities have been informed in this connection and the relevant officers were instructed to open a savings accounts and deposit securities expeditiously.	Action should be taken in accordance with Financial Regulations and circular provisions.

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| (iii) Financial Regulation 1647(b)  | Although a comprehensive survey on the vehicles including their equipment should be conducted, no action had been taken according to that provisions regarding 55 vehicles including motorcycles owned by the Department.   | An appropriate board of survey will be appointed under the supervision of a staff officer and immediate steps will be taken to conduct a formal survey of the vehicles owned by the department.   | Action should be taken in accordance with Financial Regulations.   |
| (iv) Financial Regulation 1647(e)   | Although the officers in charge of vehicles should maintain a list of vehicles in his charge containing proper details, including the type of each vehicle and the design, registration number, the date of hand over, the date of transfer and other related details, no action had been taken according to the said provisions.                 | A report containing the details of each vehicle owned by the department is in the custody of the Transport Officer and instructions have been given to properly document and maintain the register.   | Action should be taken in accordance with Financial Regulations.   |
| (c) Paragraph 2(iv) of Public Administration Circular No. 09/2009 dated 16 April 2009 | In the payment of overtime allowances and holiday pay based on the time, the relevant time should be confirmed by the fingerprint scanner. Nevertheless, a sum of Rs. 63,411,490 had been paid as overtime allowances and holiday pays during the year under review based on the attendance register alone without using the fingerprint scanner. | Observations are agreed upon. Due to the corona epidemic situation, overtime and holiday pays have been paid only on the basis of attendance registers and after 01 March 2023, it has been made compulsory to compare the attendance with the records prepared using fingerprint machines when recommending overtime and holiday payments. | In cases where the relevant time is not confirmed by the fingerprint scanner as per the provisions of the Public Administration Circulars, no action should be taken to pay overtime and holiday pays that are to be calculated based on the time. |
| (d) Paragraph 5.5 of Public Finance Circular No. 01/2020 dated 28 August 2020         | Although Parliament approval should be obtained before the introduction of a new charge by public institutions, miscellaneous charges of Rs. 21,564,057 collected during the year under review from the clients of the  | A committee has been appointed in the year 2023 to formally prepare the legal background enabling that all revenues of the Department of Ayurveda can be credited to the Government revenue under a revenue code approved by the  | Action should be taken in accordance with the provisions in the Public Finance Circulars.  |

Department without making provisions in the Ayurvedic Act or other similar written law had been credited to the Government revenue under the Revenue Code 20.03.99.00, Sales and Charges, in which the Director General of the Treasury Operations functions in the capacity of the Revenue Accounting Officer.

General Treasury and the Ayurveda Commissioner can act as the Revenue Accounting Officer. Plans have been drawn to take further action in accordance with the decisions of that committee and accordingly, action will be taken to revise the existing charges and introduce new charges in the future.

- (e) Section 04 (a), (c) and Schedule No. 01 of State Fiscal Policy Circular No. 01/2015 dated 20 July 2015
- Records had not been maintained so as to distinguish the amount of revenue and the arrears of revenue. Although the revenue collections should be credited to the Consolidated Fund within the first week of the following month without retaining in the revenue collection accounts or deposit accounts, the paying wards charges of Rs. 4,336,500 credited to the General Deposit Account from 01 January 2020 to 30 April 2022 had not been credited to the Government revenue even up to 08 August 2022. Furthermore, the revenue from circuit bungalows and hostels amounting to Rs. 1,163,684 collected during the year under review had not been credited to the Revenue Code No. 20.2.01.01 of the Secretary to the Ministry of Public Administration.
- An arrangement has been made in this connection from August 2022 and action will be taken to properly classify and account for the revenue in the future.
- Action should be taken in accordance with the provisions in the State Fiscal Policy Circular.

### 3. Operating Review

#### 3.1 Planning

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
Even though an Action Plan had been prepared for the year under review, actions were not taken in accordance therewith. Necessary measures had not been taken to amend the Action Plan in keeping with the changes that occurred in the objectives and the policies. Furthermore, no methodology had been put in place to report the progress on quarterly basis, and the physical progress reports had not been prepared according to the Action Plan, even by 20 April 2023.	The pointed out matters are agreed upon. Necessary measures have been taken to inform the relevant divisions and thereby, prevent these types of situations in the future.	The Action Plan should be prepared with necessary periodic revisions to ensure maximum utilization of resources and progress reports should be prepared to evaluate its success.

#### 3.2 Failure to Discharge Functions

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Even though the Ayurveda Community Health Promotion Programme should have been first implemented as a pilot project in Anuradhapura district from 2001 to 2005, and depending on its success, services should have been extended to other districts from the year 2005, the project had been implemented only in Anuradhapura district. No separate provision had been made in the year under review for this project for which Rs. 877.2 million had been spent from the year 2005 to the year 2021. Having made provisions only for the recurring expenses including salaries, allowances, contractual services under the Patient Treatment Services Project of the development programme, sums totaling Rs. Rs.152.8 million had been spent, including	The matters pointed out are agreed upon. This service is not currently implemented as a project. Since the project period has expired, separate provisions have not been made although the requests were made by the National Budget Department. The payment of salaries and allowances for the officers belonging to this service are made under the Patient Care Services Project of the Department and provisions for the maintenance of offices constructed have been allocated by the	If the project is not further implemented due to the expiration of the project period, action should be taken to obtain necessary policy approval to utilize its physical and human resources for the achievement of objectives of the Department, and accordingly, to limit the expenditure incurred on the maintenance of project office and the staff.

Rs.148.3 million as salaries for 218 officers and Rs.4.5 million as other expenses. Accordingly, taking steps to continue this Ayurveda Community Health Promotaiion Programme by covering only the related recurrent expenditure by the Objects of the Department for the project which was not so successful to expend its coverage to other districts is a matter of controversy.

provisions of the Department. An action Plan, 2023, has been approved for the implementation of community health promotion services under proper planning, and discussions have been started with the related parties regarding the manner in which the community health promotion programme should be implemented in the future.

(b) For the implementation of the Phase II of the Preservation of Traditional Medicinal Knowledge Project costing Rs.350 million for a period of 04 years from the year 2020, the relevant Cabinet approval had been obtained on 03 April 2019. Nevertheless, the project had not been implemented during the year 2020. During the year under review, 04 activities had been included in the Action Plan after making provisions of Rs. 1,500,000. Among these, only one activity, the evaluation of traditional medical practitioners, had been implemented at a cost of Rs.697,408.

Although a certain amount of provisions was received on the Cabinet approval for this project according to the economic stability in the country at that time, provisions should be received according to the approved plan in order to implement the project as scheduled. Accordingly, only one activity is being implemented while managing the provisions allocated.

Action should be taken to obtain necessary policy approval to restructure the project to suit to the current economic situation after reviewing the objectives of the project according to the economic condition prevailing in the country and the issues cropped up in the implementation of the project.

(c) Although provisions of Rs.25 million each had been made in the preceding year as well as in the year under review for the development of Management Information System (MIS) to include entire institution system comprising the Department of Ayurveda and its affiliated institutions, hospitals, and medical centers, that task had not been carried out.

The procurement activities that were initiated had to be suspended due to cancellation of provisions made for this purpose by the Ministry of Health during the budget revision in August 2022 in the face of economic crisis situation in the country. The development of the relevant Management Information System is being done with the use of available human resource and without obtaining provisions.

A Management Information System capable of coordinating activities of all the divisions comprising the head office premises of the Department, hospitals, herbal gardens, community health regional offices etc. should be established.



### 3.3 Performance Indicators

Audit Observation	Comment of the Accounting Officer	Recommendation
Performance indicators had not been established to evaluate the progress of the activities related to the entire institution system comprising the Department and its affiliated institutions, hospitals, medical centers, and herbal gardens and the progress had also not been reviewed.	The audit observation is agreed upon. Arrangements are being made to establish performance indicators and action will be taken to review the progress of the activities accordingly.	Performance indicators should be established promptly and progress of the activities should be reviewed accordingly.

### 3.4 Annual Performance Report

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Although a draft of the annual performance report, 2022 had been submitted along with the financial statements, that report had not been prepared correctly in accordance with the format in Guidelines No.14 issued by the State Finance Department under Paragraph 10.2 of the State Finance Circular No.2/2020 dated 28 August 2020.	Action will be taken to prepare annual performance reports according to the relevant State Finance Circular in the future.	A draft of the annual performance report prepared according to the correct format should be submitted along with the annual accounts.
(b) Although the Department of Ayurveda should table the annual performance report pertaining to the year under review in Parliament within 150 days from the end of the financial year in terms of State Finance Circular No.402 dated 12 September 2002, the performance report for the year 2021 had not been tabled in parliament even by 20 May 2023.	After making amendments, it has been referred to the Ministry for tabling in Parliament.	In terms of State Finance Circular, the performance reports should be prepared in the prescribed format and tabled in parliament within the due timeline.

### 3.5 Procurements

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Although the Master Procurement Plan should be regularly updated during a period of not more than six month in terms of Guideline 4.2.1 (e) of the Government Procurement Guidelines, the Master Procurement Plan had not been updated according to the aforesaid provisions.	It was recorded to properly maintain the procurement plan in an updated manner in the future.	Action should be taken to update and maintain the Master Procurement Plan in timely manner.
(b) According to the terms of the service agreements entered into between the Department and the private security service suppliers, no payments should be paid if any security officer is continuously employed for more than 12 hours. Contrary to that, a sum of Rs. 2,668,317 had been paid for 2,619 shifts during which security officers had been employed exceeding 12 hours in 11 hospitals and 6 herbal gardens. Furthermore, despite the stipulation that an employee's one day's salary should be deducted in the event of failure to employ the required number of guards for a specific day, and that the specified salary should not be paid to the employees who do not report for the service, a sum of Rs. 598,473 had been paid for 4 private security service suppliers for 562 shifts, during which the requisite number of employees had not been employed on daily basis.	This matter has been inquired from the supervisors of the hospitals and herbal gardens of the Department and once the answers are given, the progress will be reported. Out of the bills presented in June and July 2022 for the supply of security service to the Medawachchiya Ayurvedic hospital, 104 shifts have been reduced.	More attention should be focused to comply with the terms of the procurement agreements and action should be taken to recover the payments made contrary to the terms of the service agreements.
(c) Guidelines 1.2.1 (e), 2.12, 4.2.2, 4.2.3 and 4.3 had not been followed in connection with the contract worth Rs.74,759,059 related to the supply of security services for the Department of Ayurveda and 18 affiliated institutions from June to December of the year under review. Furthermore, information was not revealed that a supervising officer had been duly appointed to confirm the deployment of officers to all service point so as to cover the 24 hours daily in accordance with the terms of the contract	Procurement activities will be properly carried out in an updated manner according to the procurement plan in the future.	Procurements should be handled in accordance with Procurement Guidelines. Follow ups should be conducted to ensure compliance with the terms of the contract agreements and action should be taken without delay with regard to the violation of terms of the

agreement, and carried out internal inspections such as obtaining daily attendance, examining log entries, and inspecting service points from time to time.

agreements. Suitable control methods should be followed. Documentary evidence should be maintained to confirm that the procurement guidelines were correctly followed and action was taken ensuring the transparency.

- (d) Action had not been taken in compliance with the Guidelines 2.4.3, 2.5.1 (b), 2.6.1(b)(i) and 4.2.2 of the Government Procurement Guidelines in connection with the contract worth Rs. 1,947,258 relating to the supply of cleaning service for the premises belonging to the Department of Ayurveda for the period from July to December of the year under review. Accordingly, the members of the procurement committees and the technical evaluation committees had not given priority for the relevant committees, and a procurement time table had not been prepared since the technical evaluation committee had not given its recommendations regarding the procurement time table. Furthermore, in accordance with the terms of the relevant contract agreement, the contractor had not submitted a report containing the names, signatures and addresses of the employees, a formal quality certificate for the ingredients of the cleaning chemicals and suitability for use to the Department, and had not provided the employees with uniforms and identification cards to wear. Further, no action had been taken to timely provide the information such as arrival and departure of the employees and the monthly salary paid to the employees, and the remittance made to the Employees Provident Fund and the Employees Trust Fund.

Conduct of procurement committee was delayed due to the Covid epidemic and imposition of curfew due to struggle situation. A report including names, signatures and addresses has been brought according to the contract agreement. The contractual company has been informed to provide the employees with uniforms and an Identity Card. The Establishment Division maintains a record on arrival and departure of the employees. The service supplier has been informed to properly pay the wages and allowances of its employees who provide cleaning services, and to ensure the remittance of contributions to the Employees Provident Fund and the Employees Trust Fund in this year in accordance with the terms of the bid, and the officers were informed to take action in terms of the agreement by confirming the relevant matters before making payments in the year 2023.

Procurements should be handled in accordance with Procurement Guidelines. Follow ups should be conducted to ensure compliance with the terms of the contract agreements and action should be taken without delay with regard to the violation of terms of the agreements. Suitable control methods should be followed. Documentary evidence should be maintained to confirm that the procurement guidelines were correctly followed and action was taken ensuring the transparency.

### 3.6 Assets Management

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Although there are 27 lands used for the necessities of Department, 19 lands on which the head office premises of the Department, hospitals including the Borella Teaching Hospital, herbal gardens, community health regional offices and circuit bungalows are located have not been taken over by the Department even by the end of the year under review.	Arrangements will be made immediately to take over these lands and the progress will be reported.	Taking over of the relevant lands should be expedited.
(b) In terms of Asset Management Circular No. 01/2017 28 dated June 2017, updated and accurate information on the purchase and disposal of assets had not been reported to the Comptroller General.	The report on the lands and buildings has been provided on the due date and records are being prepared for the other assets. It was noted down to report the progress in the future.	Action should be taken to provide relevant records within the prescribed timeline in accordance with the circulars.

### 3.7 Losses and damages

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) A section of the fence made of net around the Chamal Rajapaksha Ayurvedic Hospital in Hamabantota had been cut and stolen by thieves, and the Engineer had estimated the relevant damage as Rs. 763,360. In terms of Section 25 of the security service agreement of the hospital, the inspection officer appointed for the incident had decided to recover 40 per cent of the damage from the security company. However, without being taken action to recover Rs. 305,344 or 40 per cent of the engineering estimate, the relevant inspection officer himself had revised the related loss as Rs. 252,235 without engineering concurrence and steps had been taken to recover only 40 per cent or Rs. 100,894 from the security company.	As the inspection officer appointed relating to the theft of the section of the net fence of the Hambantota Chamal Rajapaksha Ayurvedic Hospital had recommended that the security service supplier company or its employees were not directly responsible for the total loss, and accordingly, recommendations have been made to recover 40 per cent or 100,894 of the loss and 25 per cent surcharge. Accordingly, the relevant amount has been recovered.	Action should be taken to recover the correct loss estimated by the Engineer.

- (b) For an Ayurvedic doctor who served in Manchanthoduwai Ayurvedic Hospital and subsequently, transferred to the Wennappuwa Pradeshiya Sabha, the department has paid Rs. 548,376 as salaries within 15 months from July 2012 to September 2013. Without conducting inquiries in this connection and taking actions against the responsible offices, only Rs. 354,600 along with 25 per cent surcharge had been recovered by 02 March 2023. Despite having elapsed more than 10 years for this incident, no action had been taken either to initiate legal actions against the relevant doctor to immediately recover the remaining amount of Rs. 330,870 or to surcharge the responsible officer as per Financial Regulation 104 (2) “b”.
- Inquiries have been conducted in this connection and out of the total amount of Rs. 685,470 to be recovered, including the salary of Rs. 548,376 paid to Mr. Ananda Krishnana, who was found guilty for the incident, and the 25 per cent fine amounting to Rs. 137,094, a sum of Rs. 354,600 has been recovered and Rs. 330,870 further remained recoverable. An installment has been last paid on 02 March 2023.
- As more than 10 years have elapsed for this incident, action should be taken to recover the arrears forthwith or take legal action, or to impose surcharges for the responsible officers in terms of Financial Regulation 104 (2) “b”. Action should be taken to introduce control systems to ensure updated and continuous coordination between the personnel management and salary control divisions.

### 3.8 Management Weaknesses

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Despite having 07 herbal gardens with an extent of more than 272 acres to the Department of Ayurveda, there was no proper arrangement put in place to use the harvest of those gardens for the production of drugs of the Ayurvedic hospitals.	All these herbal gardens are research herbal gardens and apart from the research activities, herbal plants cultivation and supply of harvests to hospitals have been initiated. Plans have already been made to properly obtain harvest from the herbal gardens, cultivate essential herbal plants in herbal gardens, and provide them to the hospitals.	A proper mechanism should be established to utilize the harvest received from herbal gardens for the drugs productions of the hospitals and to keep adequate records thereon.
(b) The Department has 55 vehicles. However, due to the reasons such as not taking steps according to the relevant regulations in relation to the log books and running charts related to these	Action will be taken in accordance with the relevant regulations regarding the log books and running charts of the vehicles owned by the Department. When refueling, it will be done under	As per the comments of the Accounting officer, as it is not observed that control procedure are duly

vehicle, not being carried out fuel consumption tests, failure to fill fuel under the supervision of a staff officer, not taking sufficient measures regarding the theft of fuel that occurred in several instances, and not being followed enough control methods to control the discipline of the drivers, it was observed that the vehicle administration and their security were not at a satisfactory level.

the supervision of a staff officer. The inspection of F.R. 104 has been done regarding the theft of fuel and further action will be taken in accordance with its recommendations in the future. Subject to the immediate filling of the vacancy of the staff officer in charge of the Transport Division, plans have been made to carry out the activities related to the reorganization of the Transport Division and the discipline of the drivers in a formal manner.

implemented, necessary steps should be taken by giving more attention to the matters outlined in the paragraph.

(c) No action had been taken to report the accurate information regarding the unroadworthy vehicles and the vehicles for which repairs would not be productive to the Office of the Comptroller General, in terms of Asset Management Circular No. 05/2020 dated 30 September 2020.

The information of the vehicles of the Department has been referred to the e-mail of the Comptroller General. However, in response to the letter referred on 29 January 2021 indicating that the above information had not been received, that information was once again sent through the Fax mode on 17 February 2021. Further, the original copy also has been sent.

Necessary steps should be taken to prepare and send the reports that should be timely submitted in accordance with the circulars.

(d) After obtaining security deposits of Rs.32,500 from 04 chief medical officers and 05 cashiers of four hospitals, it had been retained in the deposit account bearing No. 6000-0-0-13-0-084 which was being maintained with the objective of making payments to third parties. However, reasons not obtaining security deposits from the medical officers and the cashiers of other hospitals had not been submitted.

Action will be taken to properly open savings accounts for the balances available in the deposit account and proceed with necessary activities, and to obtain security deposit after instructing the relevant officers.

Action should be taken to deposit securities and the security deposits should be obtained from the all relevant officers.

(e) Without properly identifying the requirement and without conducting a feasibility study, 14 machinery and equipment had been purchased at a cost of Rs.28 million for the Bandaranaike Ayurvedic Research Institute on 16 March 2012, and out of which, 8 machines worth Rs.21 million had not

The Secretary to the Ministry has informed to conduct an investigation on the machinery and equipment in the Navinna Research Institution by a committee of experts. As such, further action will be take accordingly.

Action should be taken to effectively use all the machines by providing them to the Ayurvedic hospitals or for the use of manufacturing drugs in the Ayurveda

been installed even by 11 July 2023. A committee appointed on 05 October 2020 had identified that 06 machines with a total cost of Rs. 14,591,311 were not needed for the manufactory. This contract had been implemented without entering into a formal contract agreement and without agreements for services and repairs, and the installed machines and equipment remained unusable by the end of the year under review. Accordingly, the total amount of Rs. 28,342,712 spent for this project had become an uneconomic expenditure.

Corporation. Necessary measures should be taken regarding all the officers who were involved in this purchase without recognizing the correct requirement and without conducting a proper feasibility study.

#### 4. Achievement of Sustainable Development Goals

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>In accordance with Sections 3.6, 3.9,11 and 11.2 of the Sustainable Development Act, No.19 of 2017, an institution should effectively utilized its resources to achieve its objectives, and the institution should have recognized the targets to be met in order to achieve the sustainable development goals, the challengers to be faced in the achievement of such targets, and appropriate indicators to measure the progress. However, the Department had not recognized such indicators and accordingly, the level of target achievements, deviations from the targets as well as the filed to be focused had not been identified.</p>	<p>Audit observations are accepted. After taking measures to identify the targets and indicators relating to the achievement of sustainable development goals, a report will be issued thereon.</p>	<p>Action should be taken to identify the targets and indicators relating to the achievement of sustainable, and to measure the progress.</p>

## 5. Human Resource Management

The following observations are made.

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>(a) Although plans had been drawn to develop and implement a Management Information System for the Department, the relevant Information System had not been established even in the year under review. Accordingly, there were difficulties in efficiently obtaining updated management information relating to the entire institution system, including the Department and its affiliated institutions, hospitals and medical centers. It was observed that the controls such as the control of arrival and departure of the staff, control of performance, salary control, overtime expenditure control, and the personal file management were at a poor level.</p>	<p>Provisions have not been made even in the year 2023 for this purpose, and these activities are currently being carried out by the trainee officers who have been recruited for information technology training under the supervision of a medical officer who is providing his service on voluntary basis. The plans have been made to systematically initiate the programme once the provisions are made in the future.</p>	<p>A Management Information System capable of coordinating activities of all the divisions comprising the head office premises of the Department, hospitals, herbal gardens, community health regional offices etc. should be established.</p>
<p>(b) Although the approved cadre of the Department as at 31 December 2022 was 2,362 the actual cadre as at that date was 1,371. Accordingly, the number of vacancies equivalent to 42 per cent of the approved cadre was 969. As these vacancies included 83 positions of secondary and tertiary levels, 241 vacancies of the primary level, it had severely affected the performance of the Department as well as the hospitals functioning thereunder.</p>	<p>In filling vacancies of the primary level of the Department, 277 Multipurpose Development Assistants have been recruited as Ayurvedic Services Assistants under the recommendations of the Cabinet Subcommittee appointed relating to filling of vacancies in the public sector and promotions have been granted for 108 vacancies. Arrangements are being made to recruit 62 Ayurvedic medical officers.</p>	<p>Staff restructuring should be carried out to obtain maximum productivity from the existing human resources while giving priority to senior level posts and the essential posts of the hospitals.</p>



- (c) Although 18 posts of Research Officer and 12 posts of Research Assistant have been approved relating to each stream of subjects for the Bandaranaike Memorial Research Institute, no action had been taken to make recruitments for any of those posts, and a research staff had not been approved for the Chamal Rajapaksha Ayurvedic Hospital. Accordingly, it had adversely affected the expected performance of the establishment of Ayurvedic hospitals.
- Six Research Officers served in the Ayurvedic Research Institute have joined the Scientific Service since the year 2021. Recruitments were not made since the recruitments had been suspended temporarily following the year 2019. A research staff has been approved to the Hambantota Ayurvedic Research Hospital and necessary actions will be taken as per F.R.71 regarding that matter.
- Staff restructuring should be carried out to suit to achieve the expected performance of the establishment of Ayurvedic research hospitals.