

Head 111 - Ministry of Health

1. Financial Statements

1.1 Qualified Opinion

Head 111 - The audit of the financial statements of the Ministry of Health 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 Ministry of Health was issued to the Accounting Officer on 25 May 2023 in terms of Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report of the Ministry was issued to the Chief Accounting Officer on 31 May 2023 in terms of Section 11 (2) of the Audit Act. This report is presented to Parliament in terms of Section 10 of the National Audit Act No. 19 of 2018 which is read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements prepared give a true and fair view of the financial position of the Ministry of Health as at 31 December 2022 and its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters appear in Paragraph 1.6 of this report.

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

1.3 Responsibilities of the Chief Accounting Officer on Financial Statements

Preparation of financial statements in a manner that reflects a true and reasonable position and determines the internal control required to enable financial statements to be prepared without inadequate false statements that may result from fraud and error in accordance with Generally Accepted Accounting Principles and the provisions of Section 38 of the National Audit Act, No. 19 of 2018 is the responsibility of the Chief Accounting Officer.

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

The Chief Accounting Officer shall ensure that an effective internal control system is maintained for the financial control of the Ministry in terms of Sub-section 38 (1) (c) of the National Audit Act and it should be periodically reviewed the effectiveness of the system and make any necessary changes to keep the system running efficiently.

1.4 Auditor's Responsibility on Audit of Financial Statements

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

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

- Appropriate audit procedures were designed and implemented to identify and assess the risk of possibility of quantitative misrepresentations occurred in financial statements due to fraud or errors in providing a basis for the expressed audit opinion. More than the impact of quantitative misrepresentations due to misrepresentation, the effect of fraud is strong because of malpractice, forgery, intentional evasion, misrepresentation, or evasion of internal controls can lead to fraud.
- Although it is not intended to express an opinion on the effectiveness of internal control and obtained an understanding of internal control in order to plan appropriate audit procedures occasionally.
- Evaluate that the underlying transactions and events are appropriately and fairly included in the financial statements for the structure and content of the financial statements that include disclosures.
- Evaluated whether the transactions and events underlying the structure and content of the financial statements are appropriately and fairly consisted in and presentation of financial statements including disclosures as a whole.

The Chief Accounting Officer was made aware of important audit findings, key internal control deficiencies and other matters identified in my audit.

1.5 Report on Other Legal Requirements

I declare 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 previous year,
- (b) The recommendations which I had made with regard to the financial statements of the preceding year had not been implemented in respect of the observations mentioned in Paragraphs 1.6.2 (a) to (i) of this report.

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Performance

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(a) The Treasury imprest was Rs.157,927.90 million as per the financial performance statement and thus, that figure was Rs. 157,888.21 million as per the ACA 3 Format, a difference of Rs.39.69 million was observed.	Attention will be drawn not to occur this mistake in the future.	Financial Statements should be accurately prepared and submitted to audit.
(b) As per the financial statements, the expenditure of the project to improve the health facilities of the selected hospitals in 2021 and 2022 were Rs. 2,103.56 million and Rs.452.26 million respectively and the expenditure as per the records which were confirmed to the Ministry by the Treasury Operations Department were Rs. 2,375.27 million and Rs.1,180.97 million respectively.	The relevant officers have been given instructions to compare the expenditure mentioned in the reports sent by the Department of Treasury Operations and the Department of External Resources before preparing the annual financial statements with the Ministry and Project Reports and get confirmed.	The matters caused to these differences should be identified and submitted to audit.

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| (c) | Although only the amount recovered during the year from the amount paid in terms of Financial Regulation 170(3) should be surcharged to the relevant expenditure account, the actual cost of the item was understated by that amount due to the surcharge of Rs. 2,007.02 million to the "Medical Supplies" expenditure object 1204 of the year under review, without being complied with it. | The new Revenue Head applied for has been informed by the Treasury letter No. FP/R/100/05/2020 dated 10.11.2022 and actions will be taken to credit the amount received for medical supplies to that account from January 2023 . | Only the amount collected during the year itself from the amount paid should be credited to the respective surcharges account in terms of Financial Regulation 170 (3) . |
| (d) | A sum of Rs. 665.74 million had been credited to the medical supplies expenditure object which should be credited to a revenue account in terms of Financial Regulation 170 (3). Similarly, adequate measures had not been taken to recover Rs. 7,931.87 million to be received as at 31 December 2022 for medical supplies provided on credit basis to 33 hospitals and institutions owned by other government institutions. | The new Revenue Head applied for has been informed by the Treasury letter No. FP/R/100/05/2020 dated 10.11.2022 and actions will be taken to credit the amount received for medical supplies to that account from January 2023 . | The money receives for medical supplies provided with a profit margin to hospitals owned by other government entities and to external institutions should be credited to a revenue account. |

1.6.2 Property, Plant and Equipment

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a)	The cost of non-financial assets had been understated by Rs. 46,940.73 million in the year 2018 and a sum of Rs. 7,102.99 million of this had been stated as a new land acquisition in the year 2019.	These corrections cannot be made in view of the problems indicated in the 2021 and 2022 CIGAS and Treasury printed statements. The correction of those conditions should be done with the agreement of the Department of State
		These mistakes should be corrected and the financial statements for the year 2023 should be prepared and submitted.

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| (b) | As a result of the understatement of capital asset acquisitions in 2018 by Rs.14,793.13 million, the capital assets had been understated as at 31 December 2019 by the same amount. | -do- | -do- |
| (c) | The cost of buildings and constructions acquired in the year 2019 amounting to Rs. 6,501.94 million had not been included in the statement of non-financial assets as per the Treasury accounts statements and due to the cost of assets which were acquired during the year 2019 had been overstated by Rs.2967.27 million, the non-financial assets had been overstated by the same amount as at 31 December 2019. | -do- | -do- |
| (d) | Necessary adjustments had not been made in respect of the difference of Rs.19,789.44 million in the cost of non-financial assets as at 31 December 2020 as per the SA 80 non-financial assets account monthly summary and SA 82 cumulative non-financial assets account report maintained by the Treasury. | That corrections and clarifications regarding this situation will be submitted as soon as possible based on the support provided by the Department of State Accounts in maintaining the accuracy of the CIGAS accounts of the Ministry of Health, this balance has also reflected in the 2022 accounts, the Director General of Department of State Accounts has been informed with a copy to the Auditor General by letter dated 31 March 2023 . | It should find out the reasons for the differences and make the necessary adjustments and accurate financial statements for the year 2023 should be prepared and submitted. |
| (e) | Although the cost of property, plant and equipment as at 01 January 2021 was Rs.192,229.15 million as per the statement of | The necessary steps can be taken to resolve this situation with the support of the Department of State Accounts. | -do- |

financial position as at 31 December 2021, thus that figure was Rs. 172,439.71 million and Rs.184,327.77 million as per monthly summary of non-financial assets account (SA 80) and cumulative non-financial assets account report (SA 82) maintained by the Treasury respectively, the reasons for the differences of Rs. 19,789.44 million and Rs.7,901.38 million respectively were not revealed.

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| <p>(f) The reasons were not revealed for the difference of Rs.16,877.89 million between the value as per the expenditure statement (ACA 2(i) Format) according to Programme and monthly expenditure summary (SA 10) of the year 2021 maintained by the Treasury and, as per capital asset acquisitions and statement of accumulated non-financial assets account maintained by the Treasury (SA 82) by the Treasury during the year under review.</p> | <p>This situation also exists in the accounts for the year 2022, and the Director General of State Accounts has been requested by a letter dated 31 March 2023, for advice in this regard with a copy to the Auditor General in this regard and that the efforts are being made to resolve this situation as much as possible.</p> | <p>-do-</p> |
| <p>(g) Although it was confirmed that the goods, equipment and medical supplies valued at Rs. 1,339.25 million and 2,444 units of goods and equipment of which the value unknown had been provided as non-financial assistance or donations to the Ministry and the hospital institutions under it and to the various divisions by various local and foreign institutions, organizations and individuals in</p> | <p>The most of the goods are accounted for as aid donations and the steps will be taken to specifically identify unaccounted goods and to account for in 2023.</p> | <p>Financial statements for the year 2023 should be prepared and submitted identifying and accounting for all unaccounted assets.</p> |

the year 2020, their values had not been included in the financial statements.

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| <p>(h) Expenditure incurred for the acquisition and development of non-financial assets included in the expenditure of Rs.7,603.09 million incurred under 54 foreign aid projects implemented by the Ministry during the period from 2010 to 2020 had not been accounted for under non-financial assets.</p> | <p>Non-financial assets acquired from projects executed during the respective periods have been formally transferred to various institutions during those times, such assets are accounted for as opening balances in the CIGAS Programme.</p> | <p>Written evidences should be promptly submitted to audit by confirming that all the assets acquired under the projects have been accounted for.</p> |
| <p>(i) As per the statement of financial position as at 31 December 2021 and Treasury accumulated statement of accounts of non-financial assets (SA 82), cumulative non-financial assets account report (SA 82) a difference of Rs. 5,244.56 million was observed as at 01 January 2022, as per value of non-financial assets as at the date for the year 2022 and the reason for this difference was not explained in the audit.</p> | <p>It has been sent to the Director General of Department of State Accounts by the letter dated 31 March 2023 with a copy to the Auditor General and it will be submitted to you after receiving the relevant clarifications.</p> | <p>It should find out the reasons for the differences and make the necessary adjustments and accurate financial statements for the year 2023 should be prepared and submitted.</p> |
| <p>(j) There was a difference of Rs. 11,423.16 million in between the values as per the Summary of Expenditure by programme (Format ACA 2(i)) and Treasury printed statements SA 10 in the year 2022, and the statement of accounts (SA 82) of acquisitions of capital assets and cumulative non-financial assets of the Treasury in the year 2022.</p> | <p>-do-</p> | <p>-do-</p> |
| <p>(k) The Covid-19 Emergency Response and Health System</p> | <p>Actions will be taken to enter in the financial statements 2023 .</p> | <p>Written evidences should be promptly</p> |

Preparedness Project has purchased non-financial assets valued at Rs. 6,326.05 million as at 31 December 2022 and the cost of these assets had not been accounted for under non-financial assets of the Ministry.

submitted to audit by confirming that all the assets acquired under the projects have been accounted for.

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| <p>(l) It was observed that the lands of 25 hospitals/institutions as well as the buildings of 05 hospitals/institutions had not been assessed and accounted for as per the computer soft copies which shows the information about the non-financial assets of the Ministry of Health and its 59 affiliated institutions as at 31 December 2022 submitted to the audit.</p> | <p>The assessment activities are being done.</p> | <p>Actions should be taken to quickly assess these assets and accounted for.</p> |
| <p>(m) The cost of two vehicles which were transferred to the Sri Lanka Police Department and the Ministry of Tourism and Civil Aviation amounting to Rs.11,550,000 had been included in the financial reports of the Ministry of Health as at 31 December 2022 .</p> | <p>Actions will be taken to rectify in the future.</p> | <p>This mistake should be corrected and confirmed to the audit.</p> |
| <p>(n) The information requested by the audit had not been provided by some institutions. Arrangements had been made to write off the goods totalled to Rs. 2.66 million in 11 hospitals, other health institutions, training institutions and divisions under the Ministry pertaining to the years 2017, 2018, 2019 and unspecified goods related to Badulla Provincial General</p> | <p>Information related to 43 institutions has been given to the audit so far and all the institutions have been informed to provide the other information promptly, conducting annual Board of Surveys, implementing recommendations and accounting are doing under proper coordination and supervision and the disposal of scrap material is being done systematically.</p> | <p>All organizations should provide the information requested by the audit and the accurate adjustments related to the disposed assets should be made in the financial statements. Similarly, if there are discrepancies, deficiencies and</p> |

Hospital. But it was not confirmed to the audit whether the cost of the disposed goods was removed from non-financial assets in the financial statements of the Ministry. Similarly, the instances where disposal activities were not completed in some hospitals, instances where the relevant disposal process has not been completed by the appointed Disposal Boards, instances where the actions were not taken in respect of deficiencies relating to Annual Board of Surveys in terms of Finance Regulation 757(2) were also observed.

omissions, after receiving the Board of Survey Reports actions should be taken in terms of Financial Regulations 757(2) .

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| <p>(o) The evidences on the goods received in the years 2020 and 2021 valued at Rs. 2,588.30 million to 31 institutions/hospitals and goods related to 2057 cases where the information about the value was not included in 30 institutions/hospitals and divisions that it was properly documented and included in the financial statements were not submitted to audit.</p> | <p>Arrangements are being made to account for all the donations.</p> | <p>Actions should be taken to account for all donations as stipulated.</p> |
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1.6.3 Lack of Evidence for Audit

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>Since the detailed schedules and miscellaneous information, receipts, payment vouchers and related written evidence were not submitted</p>	<p>The Department of State Accounts has not provided facilities to the Ministry of Health to check the</p>	<p>These information should be submitted for audit and measures should be taken</p>

for audit in respect of the various assets with a total cost of Rs.202,170.77 million and various expenses of Rs.119.75 million respectively, those values could not be satisfactorily verified and vouched. The information related to the years 2021 and 2022 required to evaluate the performance of the vehicles owned by the Ministry was also not submitted for the audit and in addition, due to non-submission of the information required for the audit called for by 31 letters of information on various matters even by 10 April 2023 or non-submission of complete information, the relevant areas could not be properly audited. More than 19 months had elapsed since issuing some letters for calling information. Further, information on the progress of recovery of Rs. 81.91 million to be charged from 95 doctors who had been issued the notice to vacate their posts, information about the amount due to the government from 690 doctors, information related to recovery of Rs.2.47 million receivable from 13 officers belonging to the paramedical and interim medical service who had been ordered to vacate their posts and information about the amount receivable from 576 other officers, written evidence confirming the accuracy of the allowance paid by re-recruiting 124 retired officers of nursing, paramedical and other services and 03 retired officers of the Sri Lanka Accountancy Service on contract basis to the audit, information on implementing 06

information mentioned in this SA 82 statement on a monthly basis, In this regard, the Director General of Department of State Accounts has been informed again in a letter dated 31 March 2023 with a copy to the Auditor General and the information about this can be presented after getting relevant clarifications, this is a report obtained from the CIGAS programme and the information requested by you in relation to the assets does not generate from that report, the instructions have been given to provide information about the vehicles promptly, the information of those institutions which have not submitted information in respect of the allowance paid on re-recruiting on contract basis will be submitted later, such a situation has arisen due to the lack of proper coordination between the responsible divisions regarding the officers who had been issued orders to vacate from their posts, as relevant information should be obtained and presented from all hospitals and institutions belonging to the Ministry of Health and from the relevant divisions for the information called, the respective officers will be constantly informed and promptly given all

considering every person who does not provide the information and other evidence requested by the Auditor General in terms 42 (a) of National Audit Act No. 19 of 2018 as committing an offence.

recommendations made by the Legal Division of the Ministry and the Government's Audit Division regarding the matters included in the audit query dated 14 September 2017 referred to as "Losses incurred by the government due to non-reporting of doctors who went abroad to return to work - 2016", if it impossible to implement, the Additional Secretary (Medical Services) has been informed by the letter dated 12 October 2017 to give reasons or to submit proposals to mitigate this risk and the measures taken by him and information on current progress regarding the recovery of Rs.58.36 million to be received as at 31 December 2016 accordingly, the current progress of collecting money from the 861 nursing students who had left the training as shown in the audit query dated 22 October 2019 and the requested information about the nursing students who had left the training during the period from 2018 to 2021 were not submitted to audit even by 10 April 2023.

1.6.4 Certifications to be made by the Chief Accounting Officer

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>-----</p> <p>Although the Chief Accounting Officer should ensure that all audit queries are answered within the specified time limits as required by the Auditor General, the total</p>	<p>-----</p> <p>Answers should be given furthermore to 12 audit queries over a year and actions are being taken to promptly respond to those</p>	<p>-----</p> <p>All audit queries should be answered within the prescribed time frame.</p>

number of unanswered audit queries audit queries in the future.
 was 71 as at 20 June 2023 .

2. Financial Review

2.1 Imprest Management

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<p>The imprest balance which belongs to the Batticaloa Teaching Hospital from the year 1997 amounted to Rs. 362,702 had not been settled even in the year under review.</p>	<p>As recommended by the Committee appointed by the Health Secretary, at the Director of the Hospital has been informed to settle it immediately.</p>	<p>Actions should be taken to promptly settle this imprest balance.</p>

2.2 Expenditure Management

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<p>It was confirmed from the following observations that the accurate and realistic estimates had not been prepared in terms of Financial Regulation 50.</p>	<p>The instructions for strict control of expenditure have been given by the Paragraph 2 and 3 of the National Budget Circular No. 03/2022 , accordingly, the Department of Treasury Operations has provided</p>	<p>Accurate and realistic estimates should be prepared as per the provisions appeared in the Financial Regulation 50 .</p>
<p>(a) Out of the net provision made for the 82 expenditure objects totalling to Rs. 7,981.9 million, Rs. 6,176.7 million had not been utilized. Savings had been in between 50 per cent and 99 per cent of the total net provision.</p>	<p>The instructions for strict control of expenditure have been given by the Paragraph 2 and 3 of the National Budget Circular No. 03/2022 , accordingly, the Department of Treasury Operations has provided</p>	<p>Accurate and realistic estimates should be prepared as per the provisions appeared in the Financial Regulation 50 .</p>

cash only for the most essential tasks.

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| <p>(b) Even though the provisions were not allocated in the Revised Annual Budget Estimates 2022, the provisions amounted to Rs. 421.6 million had been made available by Financial Regulations 66 and the Supplementary Estimates for 4 Capital Expenditure objects and out of the additional allocation thus made a sum of Rs. 399.7 million had been saved. The percentage of those savings had ranged between 84 per cent and 100 per cent of the additional provision.</p> | <p>-do-</p> | <p>-do-</p> |
| <p>(c) The entire Supplementary Estimates for 2 capital expenditure objects and the additional provision of Rs. 910 million made available by Financial Regulations 66 and some part of the initial estimate had also been saved.</p> | <p>-do-</p> | <p>-do-</p> |

2.3 Entered into Commitments and Liabilities.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<p>The total commitment balance had been Rs.3,432.88 million as Rs.1,405.45 million and Rs. 2,027.43 million pertaining to the operational programme and the development programme respectively as at 31 December 2022 as per the financial statements submitted for audit</p>		

and the total liability balance had been Rs.27,705.04 million as Rs.6,653.94 million and Rs. 21,051.10 million respectively. The following observations are made in this regard.

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| <p>(a) The entire year-end commitment balance of Rs. 4.03 million relating to the operational program in the Statement of Liabilities and Liabilities in the Financial Statements 2022 had been shown as year-end liability balance non-compliance with State Accounts Circular No. 255/2017 dated 27 April 2017.</p> | <p>Actions will be taken to make aware the relevant institutions so that not to occur such mistakes in the future.</p> | <p>Actions should be taken in terms of State Accounts Circular .</p> |
| <p>(b) Liabilities had been entered into exceeding the provisions by Rs.3,591.58 million by institutions belonging to the Ministry non-compliance with Financial Regulation 94 (i).</p> | <p>The General Treasury has approved the allocation based on the last year's expenditure only, if sufficient funds are provided to the allocated provision a large amount of liabilities is not remained at the end of the year in the hospital system.</p> | <p>Actions should be taken in terms of Financial Regulations.</p> |
| <p>(c) Liabilities amounting to Rs. 26,763.57 million had been entered into in the year under review without obtaining the approval of the Treasury.</p> | <p>The hospitals and health institutions have been informed not to incur debts beyond the approved limit hereafter.</p> | <p>Liabilities should not be entered into without obtaining the approval of the Treasury.</p> |
| <p>(d) Actions had not been taken to identify the reasons for the difference of Rs. 48,359.49 million and Rs. 1,142.47 million between the amount payable to the State Pharmaceuticals Corporation and the State Pharmaceutical Manufacturing Corporation and the amount due from the Medical Supplies Division as per the financial</p> | <p>As these differences have remained from the year 2008, account reconciliations between the 2 entities have been started to rectify it and the comparisons are being done by now and, it is possible to identify the accurate liabilities by the end of the accounting year from</p> | <p>Actions should be taken to identify the reasons for this change and correct the accounts.</p> |

statements of those two the year 2023 .
institutions respectively
according to the financial
statements of the year under
review and to correct the
accounts.

2.4 Issuance and Settlement of Advances

2.4.1 Ad hoc sub-impressts

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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Although the ad hoc sub-impressts received should be settled within 10 days of completion of the task, in terms of Finance Regulations 371 (5) as amended by Public Finance Circular No. 01/2020 dated 28 August 2020, the ad hoc sub-impressts given in 229 cases amounting to Rs. 7.88 million during the year under review, had been settled delayed for a period between 01 and 05 months after completion of the relevant task.	The lack of human resources available to the respective sectors, the continuous function of programmes, the carrying out of programmes as a series of programmes in areas far from Colombo and the epidemic situation existed in the last year have also caused these delays and the measures are being taken to further formalize the internal control methods needed to solve this problem.	The ad hoc sub impressts should be settled immediately just after the completion of the relevant task.

2.4.2 Issuance and Settlement of Advances to Public Officers

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(a) Actions had not been taken in terms of the Budget Circular No. 118 dated 11 October 2004 and in accordance with Articles 1:6	Difficulty in finding proper information about the places where the respective officers have been transferred, it has not yet been possible to settle these	Actions should be taken to settle the loan balance within 03 months after the officer transfers in

and 1:7 of Chapter xxiv of the Establishments Code in respect of debtor balance of Rs.72.95 million receivable from officers transferred to other Government Ministries/Departments. Out of these debtor balances, the debtor balance of Rs. 45.15 million were for more than 5 years old loan balances and it was about 62 per cent of the total debtor balance. Out of the remaining debtor balances, the debtor balance of 21.98 million was the debtor balance exceeding 03 months. Accordingly, it was observed in audit that the, Rs. 67.13 million equal to 92 per cent out of the total debtor balance was the debtor balance that arose due to the negligence of the officers.

loan balances due to non-comparability of loan balances, the activities of obtaining information about the transfer places are still being carried out, due to the fact that the takeover of the debt balances of the officers transferred in and transferred out has not been done properly, the problem of confirming the old loan balances has become a problem in functioning with the collection and settlement of these outstanding debt balances, the efforts are being made to eliminate long term debt balances by informing all accountants and actions will be taken to reduce these loan balances as much as possible in the future years.

terms of circular provisions.

(b) As the places of the officers were transferred had not been mentioned in respect of Rs. 2.43 million pertaining to 29 debtor balances shown in Schedule No. 3.3, the accuracy of debtor balances could not be ascertained during the audit.

These debt balances are old credit balances in Advance B account and necessary arrangements will be made to investigate and settle the transferred institutions promptly.

This information should be submitted to the audit.

(c) It had not been specifically identified to which Provincial Council body that the officers were transferred in relation with 69 debtor balances amounting to Rs.2.23 million shown in

It has been impossible to enter all the information while preparing the 2022 year-end account and efforts will be made to submit all the information while preparing the

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- (d) The debtor balance of Rs.13.08 million receivable as at 31 December 2022 were the debt balances receivable from officers transferred to hospitals and other health institutions belonging to the Ministry of Health. Although debtor and creditor balances cannot exist between entities within the same Expenditure Head, actions had not been taken to identify these debtor balances up to 31 December 2022. Accordingly, it could not rule out the suspicion in audit that these debtor balances were wrongly entered balances to balance the reconciliation statements.
- These loan balances are older than 5 and 10 years and it has not been possible to settle these loan balances due to various reasons. Actions are being taken to eliminate long-term debt balances by informing the accountants of hospitals and institutions belonging to the Ministry of Health to recover these loan balances, arrangements will be made to reduce these loan balances as much as possible in the future years, arrangements have been made not to occur debtor creditor loan balances within the same Expenditure Head from the year 2020 .
- Relevant adjustments should be made promptly by identifying the causes of this situation.
- (e) The balance of debt to be collected from 222 suspended officers as at 31 December 2022 was Rs.9.76 million and Rs.7.26 million or 74 per cent of debt balance was the loan balance for older than 5 years.
- Some of these loan balances have been sent to the Legal Division for recovery and the necessary instructions have been given to settle the long-term loan balances by sending to the responsible officers for the recovery of the remaining debt balances.
- Actions should be taken to recover the debt balances in accordance with the provisions of the Establishments Code.
- (f) A total of Rs. 25.08 million of loan balances were to be collected from 888 officers who had left the service and an amount of Rs. 11.58 million equal to 46 per cent of the loan balance was older than 5 years. These balances were continuously increasing
- As a result of inability to find the present addresses of the said officers, non-availability of guarantors these balances could not be recovered, there are outstanding debt balances of more than 5 years and necessary instructions have been given to inform the
- Actions should be taken to recover the debt balances in accordance with the provisions of the Establishments Code.

- every year and an enough effort had not been made to recover them.
- (g) The debt amount to be collected from 349 retired officers was Rs.19.21 million and an amount of Rs. 9.79 million equal to 51 per cent of the loan balance out of that was older than a year.
- (h) The debt amount receivable from the deceased officers was Rs. 6.58 million as at 31 December 2022 due to non-compliance with the provisions of Paragraphs 4.4 to 4.6 of Chapter xxiv of the Establishments Code. The total receivable from 26 officers was Rs. 1.43 million or 19 per cent of the debt balance was the debt balance for older than 05 years. Similarly, an amount of 3.25 million equal to 49 per cent of this debtor balance were the balances for more than a year.
- (i) The properties/ vehicles loan files related to Rs. 18.28 million receivable from 95 transferred, suspended, left the service, retired and deceased officers were not submitted for audit.
- accountants of all institutions and settle the loan balances.
- Actions have been taken by informing the Pension Department and proceeding as per Public Finance Circular No. 05/2019 to recover old loan balances.
- Due to reasons such as the fact that a significant amount of the death compensation has not been settled up to now and the heirs have not appeared for the death compensation and also the further work on the file has not been done, the recoveries have not yet been done and the necessary steps will be taken to clear the long term debt balance in the near future.
- The process of bringing the files will be done promptly and submitted to the audit.
- Actions should be taken to recover the debt balances in accordance with the provisions of the Establishments Code.
- Actions should be taken to recover the debt balances in accordance with the provisions of the Establishments Code.
- These loan files should be submitted for audit promptly.

2.5 Deposit Balances

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<p>Actions had not been taken to settle the deposit balances of Rs. 1,091 million for more than 02 years related to 26 institutions belonging to the Ministry or to take the government revenue in terms of Financial Regulation 571 (3) .</p>	<p>The amount of Rs. 6.32 million has been withheld due to an ongoing investigation into a firm that ran cleaning services, the settlement will be done after the preliminary investigation is over, the balance will be credited to the government revenue in may 2023 .</p>	<p>Actions should be taken in terms of Financial Regulations.</p>

2.6 Non- compliance with Laws, Rules and Regulations

Reference to the Laws, Rules, Regulations etc.	Audit Observation	Comments of the Chief Accounting Officer	Recommendation
-----	Non-compliance -----	-----	-----
<p>(a) Section 8 (1) of the Value Added Tax (Amendment) Act No. 09 of 2021</p>	<p>Even though the certain medicines, surgical materials, equipment and other related items required for the provision of health services in the face of the Covid-19 pandemic have been exempted from VAT with effect from 20 May 2020, without complying with the said provisions, a</p>	<p>Due to the lack of proper communication about this, all the information related to the VAT paid has been disclosed and arrangements were made to send the information to the Inland Revenue Department, all the heads of the institutions have been</p>	<p>Disciplinary actions should be taken in respect of officers who have not acted in accordance with the provisions of the Act.</p>

total of Rs. 70.12 million had been paid as Value Added Tax (VAT) to 92 suppliers for the purchase made by the Ministry of Health and the 17 hospitals under it in 1550 cases to control the Covid epidemic in 2020, 2021 and 2022 .

made aware to take necessary arrangements when paying for equipment purchased after the date on which the relevant tax exemptions are granted, the relevant institutions and individuals should include the value added tax so paid in their tax returns to recover the money paid to the government.

- (b) Financial Regulation No. 104 of Democratic Socialist Republic of Sri Lanka
- Even though between 05 and 13 years and 2 and 13 years had elapsed in respect of medicines shortages and medicines expirations amounting to Rs. 22.91 million and Rs.218.04 million respectively actions had not been taken in terms of Financial Regulations.
- The quality failed medicines disposal process of the Medical Supplies Division is currently being completed and the Committees have been appointed under Finance Regulation 104 for disposal of expired medicines.
- As soon as a loss or damage occurs, investigations should be commenced to ascertain the extent and cause thereof, and to determine those responsible for it in terms of Financial Regulation 104.
- (c) Establishments Code of Democratic Socialist Republic of Sri Lanka
- (i) Section 7.1 of Chapter V and Rule 172 of the Volume I of the Procedural Rules of the Public Service
- Although it is the responsibility of the head of the institution to immediately inform the officer who is going to be considered as left the service by
- The subject officers in charge of personal files are maintain records of officers who have obtained foreign leave without pay separately and
- Measures should be taken in terms of Establishments Code and disciplinary actions should be taken against the officers

Commission	registered post, the delays in issuing the notice of vacation of posts to medical officers who did not report for duty after expiry of leave approved by the Ministry were up to 17 years.	commonly and the subject officers have been informed to issue notice of vacation of posts to the officers who do not report to work on the scheduled dates.	who were irresponsible on duties.
(ii) Sections 23 and 23 (1) of Chapter XII and Section 10.1 of Chapter XV	Formal approvals which should be obtained while traveling abroad as the case may be in 29 cases and approved leave applications for leave outside the island or information that can prove that it has been granted were not submitted to audit in respect of a former Director of the Institute of Epidemiology.	Copies of foreign leaves related to 29 cases of foreign travel have been submitted and I have been informed that there is no other written evidence related to that in the relevant divisions, this has been happened due to weaknesses in internal administration, the instructions have been given not to occur such defects from now on.	A full investigation should be conducted in this regard and disciplinary actions should be taken against the responsible officers.
(d) Paragraph 3(III) of Public Administration Circular No. 03/2018 dated 20 February 2018	A number of 22 officers who were re-employed in a different post in a lower pay scale than the post they were serving on the date of retirement had been paid the monthly salary at the time of their retirement as a monthly allowance in contrary to the provisions of the Circular	The overpaid allowances are being recovered in payment of monthly allowances to retired officers who were re-employed on contract basis.	A full investigation should be conducted in this regard and the overpaid amount should be recovered from the respective parties.

2.7 Non-compliance with Tax Requirements

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>-----</p> <p>Personal Income Advance Tax had been introduced with effect from 01 April 2020 by removing of deduction of withholding tax from 01 January 2020 under Pay As You Earn System which is a mandatory requirement as per the formal amendment under Section 83 of the Act Inland Revenue Act No. 24 of 2017. However, the provisions related to the tax notice issued for the period from 01 January 2020 to 31 March 2020 had not been followed as per PN/PAYE/2020-01 and Tax Notice dated 15 April 2020 and the tax revenue that would have been lost to the government for the period of 03 months was about Rs. 7.65 million as per the calculation made on the basis of information submitted by the Ministry, 24 hospitals and the entities.</p>	<p>-----</p> <p>As the employee who is subject to tax liability has got the right to request the employer not to deduct tax from the personal income according to his/her wish, many officers working in the Ministry and the entities under it had not expressed their consent for that, accordingly, the lists of officers who did not express their consent have been sent to the Inland Revenue Department by the respective hospitals and the instructions have been given to forward the relevant lists to the hospitals which have not been sent, the relevant taxes have been deducted from the officers who have expressed their consent and remitted to the Inland Revenue Department.</p>	<p>-----</p> <p>Actions should be taken in terms of the provisions of Inland Revenue Act.</p>

2.8 Improper Transactions

2.8.1 Transactions made without Authorities

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
----- The Minister In Charge had approved 84 days paid leave and 02 days unpaid foreign leave on 29 September 2022 for going to Australia from 20 September 2022 on a personal matter as per the foreign leave application of a Medical Officer submitted on 20 August 2022. However, the information was received for audit that he had gone abroad to work as a Medical Officer at the Canberra Hospital in Australia as per a service contract signed for overseas employment. Accordingly, this doctor had got approved foreign leave by submitting various false information to obtain paid leave.	----- As the officer has not reported for duty at the end of approved foreign leave, the resignation notice has been issued with effect from 15.12.2022 . The officer has applied for vehicle permit before going abroad and actions have been taken to temporarily suspend the issuance of vehicle permit.	----- A full investigation should be conducted in this regard and disciplinary actions should be taken against the responsible officers.

2.9 Transactions in the Form of Financial Irregularities

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
----- (a) The formal letter of appointment of a doctor who had been confirmed in the service since 01 July 2007 was not included in the personal file of the officer submitted for audit and this doctor had been released after serving on 03 March	----- The Medical Services Branch which carries out the issuing of the formal appointment letter of this officer, as the date of appointment of the medical officers of the 01.07.2007 group to which this officer belongs as to 30.06.2007, it has been informed on 22.09.2022 that the officer	----- A full formal investigation in this regard should be conducted and further actions should be taken.

2016 subject to a maximum period of 5 years for appointment to the personal staff of a Member of Parliament. Although he has been released back to the permanent workplace from 02 March 2020, there was no evidence included in the personal file that he had reported to work at the permanent workplace. The requests had been made on 04 September 2020 from the Ministry of Health, Provincial Councils and Local Government to temporarily release again for the appointment of him to the post of Secretary of Member of Parliament. Based on these requests, after his service from 10 September 2020, he had been released to the Ministry of Health by the Deputy Director of the National Center for Nephrology Dialysis & Kidney Transplantation without obtaining any formal approval. Despite the doctor had not done any duty from 11 September 2020 to 15 November 2021, a sum of Rs. 1,830,872 had been paid to him as salaries and allowances for that period. The evidences that the reimbursement of salaries were done from 04 March 2016 to 02 March 2020 and from 16 November 2021 to the date of this report had not been submitted to audit.

should make a request with the relevant documents, however, as the extension of the temporary release is being in process through the s personal file of the officer, the officer has not been informed about it so far and steps will be taken to do so in the future.

- (b) According to an audit test carried out, a sum of Rs. 47.40 million had been paid as illegal allowances for the intern medical officers who had been assigned to 22 central government hospitals for training from January 2016 to March 2022. Information regarding the amount overpaid from 2016 to December 2022 in respect of other hospitals was not submitted to the audit.
- The answer given was not relevant to this audit Paragraph.
- It should collect all illegal money paid from respective officers or responsible officers and that should be confirmed to the audit.
- (c) As it was failure to act in accordance with the terms prescribed in the Financial Regulations 715 (2) (b), 751 (5), 755 (1) and 758 (1) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka, sections No. 1 to No. 5 of Paragraph 09 of the Second Edition of 2008 of the Manual on Medicines Management in respect of the stock of medicines and consumables in the operating room by the hospital, it was observed during the audit test check carried out regarding the stock of surgical consumables in the Genito-Urinary Operation Theater -GUOT or Nawaloka Cardiac Operation Theater - NCOT of the Colombo National Hospital that the stocks of medicines and consumables in the operating theater were irregularly recorded in the books and stored and the
- The Officer In Charge of GUOT has been temporarily suspended in the view of not to interfere with the investigations as advised by the audit, an internal control system has been prepared regarding the receipt, storage and issue of surgical consumables and instructions have been given to the respective officers in this regard, an initial investigation has been conducted in respect of the damaged surgical consumables and a preliminary investigation is currently carried out, a preliminary investigation is being done in respect of the audited matters by now and disciplinary actions will be taken against the responsible officers and actions will be taken to recover from the relevant parties as per the recommendations presented there.
- Necessary actions should be taken by completing investigations promptly.

supervision of the top management in that regard was at a weak level. As a result, it was observed that the 1,555 units of stock of surgical consumables cost at Rs 8.84 million had been fraudulently packed and hidden in polythene bags in the ceiling of the adjacent suture room of operating room accessible from the toilet of the junior staff of operating room B, 27 units related to 5 types of surgical consumables were illegally and fraudulently disposed of from Nawaloka Surgery to Surgery G and then to Surgery D. Even though the Auditor General has submitted 07 recommendations to be implemented in this regard to the Secretary of the Ministry of Health, its progress had not been reported to the audit even by 30 June 2023. Similarly, in examining 3 types of surgical consumables that were used in this operating room were taken as samples and examined in depth furthermore, it was observed that the 3 types of surgical consumables were issued more than the requirement of the surgeries performed in the operating room, and their cost was about Rs. 4.67 million.

- (d) The Ministry of Health, the Central Environmental Authority and a private company had entered into a tripartite agreement on 11 July 2019 regarding the management and disposal of clinical waste generated from government hospitals and even though it has come into effect from 13 December 2018, as the Ministry has carelessly or intentionally not given this agreement to the respective hospitals, clinical waste management and disposal had not been done as per the agreement. As a result, coloured packaging required for segregation and storage of hospital clinical waste to be provided by the service provider had been purchased by procuring by hospitals and from other external parties in terms of condition 3 of Schedule I of the Agreement. Accordingly, in examining a sample of 19 hospitals, each hospital had paid Rs. 127.40 million for packaging from the year 2019 to the month of October 2022 and it was observed that the staff engaged in the patient care service of the hospitals were engaged in the preparation of yellow boxes with red tape as an additional task. Similarly, although the Central Environmental Authority should be entitled to an environmental monitoring fee of 1.5 per cent of the monthly income earned by the
- After the signing of the agreement on 19.07.2019, copies of the agreement have been given to the organizations that requested copies of the agreement, if the hospitals have paid money for the purchase of yellow, red and purple bags and yellow boxes with red band, instructions have been given to recover the amount from the amount payable to the service provider, it has been informed that 1.5 per cent of the monthly income earned by the service provider should be entitled to an environmental inspection fee to the Central Environment Authority as per Paragraph v(h) of the new agreement, all the government hospitals that receive services from the service provider have submitted the relevant form and are working to submit the information related to the institutions promptly, the instructions have been given that accurate weighing and recording should be done under strict supervision, instructions were given on 10.12.2022 to establish adequate internal control at the hospital level until a common programme is prepared on the accuracy of weighing and reporting the amount of clinical waste disposed of by hospitals and institutions, Similarly, the Healthcare Waste Management Training Module for Health Staff given to all hospitals has given instructions on how to properly dispose of clinical and other waste and the trainers have been trained through training of trainers
- The facts and conditions of the agreement should be communicated to all the parties implementing the Tripartite Agreement and the loss caused to the government due to non-compliance with the agreement should be calculated and recovered. A strong internal control should be established at the hospital level for a specific procedure to be followed by hospitals to ensure proper crediting of environmental monitoring fee revenue to government accounts to ensure accuracy of weighing and reporting of clinical waste quantities disposed.

service provider as per Clause V (h) of the Agreement, thus there was not a proper arrangement on the manner of the fee is collected, the environmental monitoring fee revenue receivable to the government had not been properly credited to government accounts. As the above-mentioned loss to the government is in connection with only 19 hospitals, it is observed that a full examination should be carried out and arrangements should be made to recover the related losses in relation to other government hospitals provided services by the above service provider and the complete agreement including Annexure 01 in the tripartite agreement entered into in the year 2014 between the stakeholders who stated that the training of trainers through the above trainer training programmes, the information requested by the audit in the form of all the government hospitals provided services from the service provider according to the tripartite agreements reached in the years 2014 and 2019 were also not submitted to audit. Although a minimum internal control system should be developed to ensure accuracy of weighing and reporting of chemical wastes disposed of by hospitals and institutions in order to maximize the economic benefit of the programmes.

expenditure incurred by the government for an economic activity in which a large payment is made, the Ministry had not prepared a general programme to be followed by the hospitals for that and adequate internal control systems had also not been established at the hospital level.

- (e) A contract was signed with a contractor on 09 May 2020 for an amount of Rs. 19.43 million for the construction of a new technology smoke-free incinerator at the Kurunegala Teaching Hospital and although the work had been completed on 22 May 2021 that is 06 months later than the time this contract should have been completed, it was observed that the Ministry of Health and the Hospital had recognized that the incinerator that was built could not fulfill the hospital's needs as expected and the incinerator experiences with frequent breakdowns just before a year of its construction. Likewise, a similar situation exists in the incinerator built by the above contractor in Dambulla Municipal Council in the year 2019, and the hospital should pay attention to it and, despite it was informed by audit query No. HSM/F/THKU/2020/AQ03 sent on 01 April 2021; the payment of Rs. 16.38 million
- After the notice of the contractor who provided and installed the incinerator would not carry out the maintenance of the machine due to non-payment, although it has been informed to take actions to provide imprests for making payments from the allocations made during the year as a solution to this issue, after reporting this issue to the Ministry of Health due to non-receipt of imprests in the year 2021, actions were taken to appoint a committee by the Environmental and Occupational Health Division of the Ministry of Health and, it was decided to proceed with the payment process and re-operation of the incinerator based on the recommendations and instructions given by the appointed committee, the Director General of Health Services has given instructions on 30.09.2022 to implement all the recommendations of the committee appointed to solve the problems of the incinerator, the relevant contractor has restored the machine and has arranged to install electricity and water meters
- It should conduct a full independent examination in respect of this matter and actions should be taken against the responsible officers.

to the contractor for this incinerator who failed to meet the hospital requirement without paying attention to it was observed as a futile expense. Similarly, although it was decided in the Audit and Management Committee meeting held on 21 June 2022 to re-investigate the inadequacy of the built incinerator for the needs of the Hospital by the Environmental and Occupational Health Division of the Ministry and inform the audit about the actions taken by the Ministry in this regard, information about those investigative reports and actions taken were not submitted to the audit.

in the incinerator accordingly.

- (f) Although a group of 122 cleaning workers and supervisory officers should be engaged in daily work for day and night services as per the cleaning service agreement entered into with the contractor to provide cleaning services by Chilaw District General Hospital for the year 2022, despite the were in absent from work, deploying less employees than that, pretending they had attended to work using fake signatures in the attendance register and although they were required to work in uniform and wear an identity card according to the agreement none of the workers had worn identity

The cleaning works in different service divisions of this hospital has been set on the basis of service requirement, an attendance register has been set up to determine the attendance of workers and it is maintained by the Minor Services Controller Office and, the cleaning workers have scattered in different places and that it is rather problematic to carry out the inspection accurately at the same time, at present, all employees have been advised to dress in uniform and wear identity cards, all of the cleaning staff in the hospital is supervised by the Administrative Officer and Minor Service Supervisors and actions will be taken to deduct this amount during the bill payment

It should conduct a full independent examination in respect of this contract and all overpayments should be recovered and actions should be taken against the responsible officers.

cards and it was revealed in audit test check that there were cases where the uniform was not worn and some cleaning workers were deployed in two places. Even after the audit revealed that the signatures were forged, it was observed that the supervisory officer of the respective company has not stopped the fraudulent entry of fake names and it was also observed that an amount of Rs. 431,361 had been paid for the employees who were not employed during the period of 15 days between 07 September 2022 and 21 September 2022, which was the nearest time selected in the audit.

in September.

2.10 Uneconomic Transactions

Audit Observation

Comments of the Chief Accounting Officer

Recommendation

(a) Although it is the responsibility of the hospital management to collect an accurate higher income to the government revenue through the management of the patient care service and other services that support it as well as the sales revenue of saline bottles, empty cans, x-rays, cardboard etc. which are discarded from the patient care service, being failure of establishing a formal system

Discarded saline bottles are collected to the maximum extent by informing everyone and weighed and documented and sold to buyers to get high income as indicated by the audit so far, actions will be taken to raise a higher income by selling all the 5L and 10L plastic cans discarded from the Dialysis Unit, even though the empty containers have been returned to the cleaning service provider, when returning cleaning liquid to the hospital

The empty containers of the cleaning service should not return to suppliers and the accurate empty container income of them should be credited to government accounts. A formal examination should be conducted on the earning of revenue of empty containers in all the hospitals under the

for disposing of empty containers in the Colombo National Hospital so that the government gets maximum revenue, only a less income of Rs. 1.19 million had been earned in the year 2021 and by 30 November 2022. It was observed that the revenue lost by the hospital from the sale of empty saline bottles was approximately Rs. 4.43 million, the revenue lost by the hospital was approximately Rs.2.62 million by disposing of the empty cans related to the size of 5L and 10L plastic cans containing the Dialyzing blood filter fluid that had been issued to the Dialyzing Unit of the hospital, the hospital lost the revenue approximately Rs.1.37 million, only for the cardboard containers which were received in relation to only 6 types of saline bottles and 2 types of dialyzing fluid cans in the years 2021 and 2022 as per the approximate calculations made by the audit. Similarly, the institutions that provide cleaning services in the hospital had lost revenue by giving the empty containers containing cleaning chemicals back to those institutions without charging and there was also a risk that these empty containers would be filled with substandard cleaning chemicals and send

they are supplied in sealed cans. Therefore, the probability of receiving substandard chemicals at the hospital is low and check this out in the future and the empty cans delivered to the cleaning service institution will be collected and sold by the hospital, the matter will be investigated and recoveries or necessary further actions will be taken accordingly, the sale of empty containers will be done by following the tender procedure.

Ministry and the related losses should be recovered from the responsible parties and internal control on empty container income should be strengthened at the hospital level.

to the hospital once again. As a result of the other hospitals under the Ministry had not established a formal system for disposing of the empty containers generated in their hospitals so that the government gets maximum revenue, the income to be received to the government had lost. For example, the Zoysa Women's Hospital, Lady Ridgeway Children's Hospital, Castle Street Women's Hospital and Maharagama Apeksha Hospital in the years 2021 and 2022 had earned a low income of 2 per cent to 52 per cent only from the sales of 500 ml empty saline bottles and although the number of empty saline bottles disposed after using by De Zoysa Women's Hospital in the year 2022 was Rs. 39,719, the hospital did not earn any income from the sale of empty saline bottles in that year.

- (b) A sum of Rs. 18.58 million had been paid for the purchase of five types of cleaning chemicals from a private company under the direct contract system for the washing of cloths and bed sheets used for the patient care service of the Batticaloa Teaching Hospital from 2019 to 2022, in contrary to Section 3.5 of the Government Procurement
- The supplier has been selected through the National Competitive Bidding (NCB) system, the Unit in Charge Nurse is responsible for the overall management of the CSSD section and the laundry and other number of nurses are 5 and they have been allocated on shift basis and only 5 number of health assistants regularly attend their duty and most of them take leave, the 3 washing machines available in the hospital and 2 dryers, are
- Actions should be taken to check in this regard and deploy only essential staff and also to implement a shift system in a manner that overtime is minimized.

Guidelines. As a result, the opportunity of a fair, equitable and maximum opportunity to obtain a competitive minimum price for cleaning chemicals to parties eligible to participate in this procurement had deprived. Likewise, despite there were 4 washing machines and 2 dryers in the hospital's Central Surgical Supply Department (CSSD), six nurses and eleven health assistants were employed for the functions of that Division, a sum of Rs. 3.87 million and Rs 1.93 million had been paid to them as overtime allowances respectively in the year 2022.

being operated alternately 24 hours a day in a week, and two washing machines are very old and require frequent repairs.

- (c) A private institution had been given space to run a day care center and a pre-school for the children of the officers in the ground floor of the Dormitory of the Medical Officers of the Kandy National Hospital. Even though a monthly rent of Rs.78,500 had been assessed by the Assessment Report dated 12 October 2021, the monthly rent had not been collected from the respective private entity even by 31 December 2022 . As a result, an income of Rs. 1.10 million had been lost to the government only for the period of 14 months from November 2021 to December 2022 .

The Medical Officers' Welfare Association has submitted an appeal to the Director of the Hospital not to charge a rent, accordingly, the Chairman, Medical Officers' Welfare Association has been informed by the letter dated 03.09.2023 to make arrangements to pay the relevant arrears of rent and monthly rent.

These rents should be collected and it should be confirmed to audit.

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| <p>(d)</p> | <p>The space on the ground floor of the Dormitory of the Medical Officers of the Peradeniya Teaching Hospital was given to a private institution to run a pre-school and day care center for the children of those officers on an area of 2475 square feet. Although this has been running since 2007, a proper approval had not been obtained for it. Although a monthly rent of Rs. 50,000 had been assessed as per the assessment report dated 10 February 2022, no rent whatsoever had been collected since its inception of 2007 to 31 January 2023.</p> | <p>Although the nursery and day care center have been assessed by the Valuation Department at a monthly market rent of Rs:50,000 for each month for 2 years, the institution has been informed to pay the amount from January 2022 and future actions in this regard will be taken.</p> | <p>-do-</p> |
| <p>(e)</p> | <p>A GE Health Care/ Optima XR 200 AMX type Mobile X- Ray machine valued at Rs. 12.73 million had been provided on 25 June 2020 for the Radiology Division of the Sirimavo Bandaranaike Specialized Children's Hospital under the China Credit Assistance Project. As a result of the charging time of the battery of this device was not sufficient, the necessary tests could not be properly carried out and only a very minimal number of tests like 04 patient tests had been done up to 28 October 2022 .</p> | <p>This machine will be used for patient care services from 01.01.2023 after repair.</p> | <p>Necessary actions should be taken in this regard .</p> |

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| <p>(f) The MRI machine installed in the Peradeniya Special Children's Hospital on 05 December 2005 had provided patient care services for the children of the children's hospital and children of other hospitals covering 12 Districts in 07 Provinces. As the oxygen cylinder and its supporter freed from and got stuck inside the machine on 12 March 2018, the machine had turned off due to damage and although a sum of Rs. 17.6 million was paid and repaired and handed over to the hospital on 15 March 2018, it had turned off again on 16 March 2018. From that day, the machine had remained in idle without use. Accordingly, the amount paid for the repair works was futile and even though 04 years had elapsed, due to failure to restore this machine or provide a new MRI machine even by 31 December 2022, it was observed that the patients had to face severe inconvenience.</p> | <p>As the oxygen cylinder has drawn into the machine, the machine has turned off on 12.03.2018, the oxygen cylinder was removed and repaired and handed over on 09.10.2018, the machine has again turned off on 13.10.2018, the number of tests conducted during that period was 23, a preliminary investigation has been carried out regarding the damage occurred to the machine and general 283 preliminary reports and 284 reports have been submitted for approval, the Additional Secretary administration (1) has appointed the relevant committee to operate this machine and further actions will be taken according to the recommendation of the Committee.</p> | <p>As the machine was functioned for only 04 days after repair, the amount of Rs.17.6 million paid for this repair should be recovered from the responsible parties and arrangements should be made to put the machine into use as soon as possible.</p> |
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2.11 Transactions in Contentious Nature

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<p>(a) The overall contract to develop, supply, install, implement, train and maintain a management</p>	<p>The post-warranty period of the existing Medical Supply Management Information</p>	<p>In introducing a new information system, measures should be</p>

information system which was identified as required for the Medical Supplies Division to better organizing of the medical supply management process and to provide continuous supply of essential drugs to government hospitals had been awarded to Rs. 341 million to a private company and this expansion process was suspended while being implemented and the it had been awarded to another private company to a total contract value of Rs.101.8 million to develop software for the purpose of establishing a new comprehensive information management system called “Swastha”.

System was scheduled to be ended on 22.10.2022 and the requirements have become more complex and the improvement of the existing system does not yield the desired results as the system was commenced in 2008, after analyzing the cost benefits, it has been decided in principle to develop a new information system based on the recommendation of the related technical experts and implemented and, the approval of the Cabinet of Ministers has also been obtained for that and, the total contract value of creating this Swastha system is Rs. 101.8 million and the warranty period is 3 years.

taken with high responsibility and care.

(b) The Medical Supplies Division had given a stock of medicines related to 12 types of medicines that were about to expire in the months of April and May 2023 to the Peradeniya Teaching Hospital on 24 December 2022 without having a request. Most of those medicines were not used in the respective hospital and as a result, the medicines were being expired without being used.

Some of the donations of medicines received from the Medical Supplies Division to this hospital without a request are about to expire and it has been made aware in writing on 27.12.2022, all the specialists by e-mail and in pharmacist meetings and the Pharmacist Supply Division has also been notified on 30.01.2023, similarly, all measures have been taken in this regard as per the circulars related to expiry of stock of medicines.

Actions should be taken to remove the expired medicines properly from the stores.

(c) The Kurunegala Teaching Hospital had purchased drugs valued at Rs. 9.80 million as emergency purchases (Local Purchase) in the year 2021. Accordingly, 9 items of medical

When the stock of medicines in the warehouse is over, the requests made by the wards and units of the hospital are taken by the pharmacists to the office as a result of non-

Examinations should be conducted in respect of these unusual price fluctuations.

supplies had been purchased beyond the estimated price in the computer data system during the emergency purchases during that year and the prices variance of those supplies had ranged from 24 cents to Rs. 2,461. Further, the value of the medicines that had been purchased beyond this estimated price was Rs. 7.84 million and if the medicines were purchased at the estimated price, its value would be Rs. 2.64 million.

provision of proper stock of medicines by Medical Supplies Division as per Annual Medicines Estimate and because of the delay in giving the necessary approval for local purchases, there are variances in prices when purchasing less quantity of medicines on credit basis, Most of these medicines are life-saving and antibiotic drugs and the purchases have been made following the stipulated procurement procedures.

- (d) In addition to obtain allowance of 1/20 allowance from the salary for working on a holiday, despite there was no provision for payment of overtime allowances for the additional working hours for working more than 08 hours a day a sum of Rs.560,177 had been paid as overtime allowances for the service rendered for more than 08 hours as holiday pay 2022 on days the 1/20 was paid to three administrative doctors by the North Colombo Teaching Hospital.

It has been stated as “1/20 allowance is only available for 6 hours of service on Sundays and public holidays” by Circular of Ministry of Health /CA/138 dated 26/06/2013 of the Secretary of Health, it has been clearly stated by Sub No. 10 of MO-01-18/2019 of the Secretary of Health; in addition to the 1/20 allowance on Sundays/Government holidays, the overtime allowances subject to a maximum of 4 hours for the remaining duty/working hours can be obtained, the payment has been made accordingly.

The money thus paid should be recovered from the responsible officers and actions should be taken to get further clarifications from the Director General of Establishments.

3. Operational Review

3.1 Performance

3.1.1 Failure to Perform Tasks

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<p>It was mentioned in the National Health Strategic Master Plan 2016-2025 that the minimum number of employees and Norms should be revised according to the standardized criteria as health human resource issues identified in the 2 themes of health administration and health human resources. Development of Health Human Resource Policy has been mentioned as suggested strategies for these problems. However, the Ministry of Health had not prepared this policy by 31 December 2022 and it was observed that the Health Human Resources Strategic Plan, which was specified as a targeted task in the Action Plan 2022, is also in the third draft stage.</p>	<p>The Human Resource Strategic Plan is being prepared by the Human Resource Management Coordinating Division, the 2020-2030 Plan has been drafted and is being edited.</p>	<p>Arrangements should be made to be completed on time as planned.</p>

3.1.2 Delays in Execution of Projects

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<p>(a) The structural construction was being done as at 23 September 2022 the date of audit, in the Medical Ward Complex Building of District General Hospital, Chilaw to be constructed by the</p>	<p>The Covid 19 pandemic which lasted from March 2019 to the first quarter of 2022 had caused delays in construction and the delays in the payment of bills have</p>	<p>Actions should be taken to complete in due time period as planned.</p>

State Engineering Corporation (SEC) with an estimated value of Rs 583.78 million under the consultancy of Central Engineering Consultancy Bureau (CECB), which is a government institution. The contract period of 735 days of this Project, which was commenced on 19 February 2018, had exceeded by 937 days as at the date of audit.

also contributed to it up to certain extent, the structural construction of the building is currently being carried out and the construction work has further been delaying due to failure to perform the relevant items within the contract amount due to the economic crisis in the country, the high increase of the price of construction materials these days and shortage of relevant raw materials in the market.

- (b) As a result of the severe lack of space in Chilaw District General Hospital and the necessity to establish an Operating Theatre and an Intensive Care Unit very soon, although it was planned to construct a temporary building using iron in 06 months to reduce the time taken to construct a normal building. The 02nd floor of this building had not been completed as at the audit date of 23 September 2022. The matters such as negligence of the contractor, changes in plans due to failure to properly identify requirements before preparing plans, preparation of plans and estimates without site inspection and feasibility study, delays in bill payments had caused to this delay. As a result, it was observed that it had led to an unnecessary over-expenses of public funds and a interruption in the provision of patient care services since the contractor has

In the initial plans, it was decided to build the building with the operation theater and the wards as two buildings and for that, SD&CC had decided to entrust all matters of construction, planning and consultancy of this building to that agency as a government agency, due to preparation of preliminary plans without obtaining formal consultation of relevant authorities in making plans, as several existing buildings are proposed to be demolished to construct the two proposed buildings that plan has to be abandoned, accordingly, the new plan was prepared and submitted for approval on 02.10.2020, about 28 months have already elapsed exceeding the contractual period, the construction of the first floor and third floor

In planning tasks, the ideas and suggestions of all parties involved should be taken and plans should be prepared and actions should be taken to perform the awarded contract within the contractual period.

requested on 03 May 2021 for increase the estimated cost of this construction amounting from Rs.131.95 million to Rs. 85.18 million. Due to this, there is a severe shortage of Operation Theatres and storage facilities in the hospital and the medical equipment and supplies (Aero misr /Drug Nebulizer kit) beds, mattresses etc., which were given to the hospital, had to be insecurely piled up in the corridors of the abandoned building.

of the three-storied building had been completed and handed over to the hospital by the date of audit and about 75 per cent of the construction of the second floor had been completed and the initial cost estimate was based on the construction of two separate buildings, Accordingly, the estimate of the three-storied building has increased to Rs.131.95 million, the necessary activities are carried out to prepare the storage premises in a manner that can be suitably covered and locked after indication of the audit to ensure the safety of medical equipment and supplies received at the hospital.

3.1.3 Failure to Fulfill Desired Outcome

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<p>(a) Elekta Synergy Platform Linear Accelerator (LINAC) and Elekta Compact Linear Accelerator machines costing Rs. 597.65 million had been given to the New Cancer Treatment Unit of Kandy National Hospital in the year 2021 under Phase 01 of the Project on Providing High Quality Radiation Equipment for High-tech Radiation Treatment for cancer patients in Sri Lanka implemented by the Ministry of</p>		

Health and the following matters were observed at the audit examination carried out in this regard.

- (i) Even though the installation of the air conditioning system in the New Cancer Treatment Unit is proposed to be done in 02 phases, since the Linear Accelerator machines that were proposed to be installed in this unit had been provided by the respective institution before the system was installed and, as the air conditioning system is essential to install those machines, a centralized air conditioning system at a cost of Rs.89.92 million had been installed using Backup Chiller machines. Nevertheless, Even though the Director of the Hospital was informed by the institution that provided the machine in a letter dated 22 December 2020 that it was suitable to install a Chiller Machine in addition to it, actions had not been taken in this regard so far. The compressor of this air conditioning system had been disabled since 14 November 2022 and even though an estimate of Rs.12.66 million had been submitted for its repair and provision had been made pertaining to that, actions had not been taken to repair that even by 20 March 2023 .
- It was emphasized in the progress review discussion on the construction work held on 12.10.2021 to take urgent measures to install an additional Chiller and to provide the necessary financial provisions, this unfavourable situation has arisen due to the purchase of the air conditioning system by the CECB who was the main contractor, from a supplier that does not comply with government rules and regulations, the contracting agency is requesting an advance of 50 per cent of the estimated amount without providing an advance performance security in contrary to the Procurement Guidelines.
- A full formal investigation should be carried out in this regard and necessary actions should be taken against the responsible parties.

(ii) An Elekta Synergy Platform LINAC machine at a cost of Rs. 364.09 million had been installed in the New Cancer Unit and out of that, an amount of 80 per cent that is Rs. 293.37 million had been paid on 28 June 2019 and 25 October 2019. There was the ability to accurately identify the cancer area and its boundary and direct the radiation very precisely to the cancer, minimizing the side effects by that and, a number of 771 patients had been treated from 11 November 2021 to 14 November 2022 using this machine. Further, there was an ability of treating 50 to 60 patients per day by this machine . Nevertheless, due to failure of the compressor of the centralized air conditioning system mentioned in the above paragraph in the bunker where the machine is installed, it was unable to use this machine for treating patient from 14 November 2022 .

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(iii) An Elekta Compact LINAC machine cost at Rs. 233.55 million had been installed in the New Cancer Unit on 06 April 2021 and it had remained idle for a period of 23 months from that date to 20 March 2023, and as a result, it was observed that there was a risk of the warranty period of the machine running out while the machine was idle.

Due to inactive of the air conditioning system mentioned above Paragraph, is was impossible to start treatment until it is repaired.

-do-

- (b) The Biomedical Engineering Services Division had commenced procurement in 2019 for the purchase of two digital fluoroscopy machines for the two teaching hospitals of Hambantota and Maharagama as per decision of Medical Equipment Evaluation Committee according to the Procurement Plan 2019. The equipment cost at Rs.172.40 million and the installation and room improvement amounting to Rs.4 million had been ordered on 16 October 2020 subject to a 2 year warranty. Although the equipment should be supplied before 25 December 2020 as per the conditions of orders, the equipment was handed over to the main warehouse of the Biomedical Engineering Unit on 12 February 2021. The machine that was planned to be installed at the Hambantota Teaching Hospital had been installed at the Karapitiya Teaching Hospital and the construction of the machine installation site at Maharagama Hospital had not been completed even by 31 March 2023 and the warranty period of this device had expired on 13 February 2023.
- As there were no appeals received against this procurement, the Ministry Procurement Committee decision has been sent on 19.06.2020 to the Biomedical Engineering Division of the Ministry for contract administration and monitoring.
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3.1.4 Abandonment of Projects without Completion

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<p>(a) A contract had been entered into a value of Rs.320.10 million in the year 2018 for the construction of a 04 storied Emergency Treatment Unit for the Kegalle General Hospital. However, even though more than 03 years had elapsed since the contractor abandoned the project in August 2019 after the construction of the building up to the slab level, which was expected to be completed on 16 April 2019, the value of work that had been spent at that time amounting to Rs. 37.62 million had become useless due to non-resumption of construction works.</p>	<p>This Project was implemented under the Deputy Director General (Medical Services 11) of the Ministry of Health and the Secretary of Health has already taken actions to cancel this procurement agreement.</p>	<p>Formal steps should be taken to complete the works of the Project and a formal investigation should be conducted in this regard and actions should be taken against the responsible parties.</p>
<p>(b) The construction of the Emergency Treatment Unit for Chilaw District General Hospital which had commenced on 15 January 2018 to be completed in 609 days at an estimated cost of Rs.501.21 million, had been abandoned by 23 September 2022 the date of audit and only 2 basic structural construction parts of the construction had been completed. Although the Secretary of the Ministry of Health had informed the contractor in a letter dated 22 April 2021 that the related construction contract will be</p>	<p>The legal actions have been taken for this purpose, legal actions are being formulated by the Deputy Director General of Medical Services.</p>	<p>-do-</p>

canceled due to construction delays and acting contrary to the instructions of the engineering consultant, the losses occurred to the government had not been recovered due to the cancellation of the said agreement.

3.2 Operational Weaknesses

Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
(a) It was observed in the physical audits carried out at Gampaha and Anuradhapura Regional Medical Supply Units and Meerigama Base Hospital, Anuradhapura Teaching Hospital premises that the 17 items of medicine that should be kept at a temperature below 25 degrees Celsius were kept in warehouses with temperatures above 30 degrees Celsius. Among those drugs, it was further observed that there were drugs used for allergies, high blood pressure and antibiotics	As the temperature in the B warehouse of the Anuradhapura Teaching Hospital was above 25 degrees Celsius at the time of the audit, the problem was solved at the same time and as all the 03 air conditioners in warehouse C are very dilapidated, the provision has been requested to purchase a new one and steps have been taken to properly resolve the problem of the air conditioner in the Gampaha District General Hospital.	Actions should be taken to maintain proper cold chain for all medicines.
(b) Out of 171,875 units of Propofol injection BP (SR No. -01500301) which was received on 27 June 2021 by the Medical Supplies Division at a price of Rs. 98 per unit, although 131,885 units were sent to Veyangoda Warehouse on 06 July 2021, this stock valued at Rs. 12.92 million had expired on 30 November 2022 and it had been about 77 per cent of the total stock purchased.	A number of 171,875 units are sufficient for approximately 7.4 months as per the hospital estimates and as many surgeries were restricted in hospitals during the pandemic the use of this medicine has been minimized and the steps have been taken to suspend all remaining orders by July 2021.	Arrangements should be made in a manner that drug expiry is minimized as much as possible.

- (c) Out of the medical supplies issued to government hospitals, medicines, surgical and laboratory materials valued at Rs. 349.02 million had been removed from use due to failure of quality in the year 2022 and another Rs.31.75 million of medicines were temporarily suspended due to failure of quality.
- A randomly selected sample started to be referred to the quality test before medicines are released to hospitals from mid-2020 and actions will be taken to increase the size of random sample selected according to available facilities in future.
- Laboratory tests should be stepped up in such a way to detect quality failed medicines before issuing to hospitals.
- (d) The National Drug Quality Assurance Laboratory under the National Medical Regulatory Authority did not have the capability to check the quality before releasing the medicines to the hospitals by the Medical Supplies Division. As a result, although it has been observed for many years that most of the medicines had been used by the patients by the time of reporting that the medicines had failed the quality, there was no system of checking the situation before releasing the medicines to the hospitals even in the year under review in order to avoid those situations in a quantitative way.
- A randomly selected sample started to be referred to the quality test before medicines are released to hospitals from mid-2020 and actions will be taken to increase the size of random sample selected according to available facilities in future.
- Laboratory tests should be stepped up in such a way to detect quality failed medicines before issuing to hospitals.
- (e) The amount to be recovered by the State Pharmaceutical Corporation of Sri Lanka from the relevant parties in relation to a shortage of medical supplies handed over to the Medical Supplies Division by Corporation in the years 2004 and 2005 amounting to Rs. 6,059,463 could not be recovered even after 10 years.
- The Attorney General has informed that the measures cannot be taken according to the Law of Contract and that it is difficult to determine whether certain officers are responsible for the time elapsed until the inspection report is issued for which the transport contractor is responsible.
- Arrangements should be made so that a proper investigation can be done and the relevant money can be collected and the officials responsible for this should be identified and necessary actions should be taken.

- (f) Due to failure of taking formal measures to identify, report and recover or write off of damages and losses of medicines that have occurred in the pharmaceutical warehouses belonging to the Medical Supplies Division during the 11 years from 2009 to 2020, actions had not been taken to recover or write off damages and losses amounting to Rs.452 million in respect of 285 cases even by 31 December 2022. Within that, there were 37 cases of Rs.64.8 million less than 05 years, 146 cases of Rs.294.5 million between 05 and 10 years and 102 cases of Rs.92.9 million over 10 years included in it.
- The disposal process of quality failed medicines of Medical Supplies Division is currently being completed and the Committees have been appointed under Finance Regulation 104 for disposal of expired medicines.
- Formal measures should be taken to identify, report and recover or write off medicine losses and damages.
- (g) The amount to be recovered or deducted furthermore from the damage caused after the flooding of warehouse No. 53 belonging to the Medical Supplies Division on 18 May 2016 was Rs. 199.26 million . Accordingly, the reports under Finance Regulations 104 (3), 104 (4) and 109 to prove that the respective officers have acted as per the Finance Regulations regarding the non-settlement of this amount for more than 06 years and, the insurance agreement containing the terms and conditions of the insurance valued at Rs. 400 million obtained from Sri Lanka Insurance Corporation for the period 20 August 2015 to 20 August 2016 were not submitted to audit.
- A copy of the insurance policy is currently in possession of the Medical Supplies Division actions will be taken to provide in future.
- Initial report, final report, application for write-off of losses and insurance agreement containing terms and conditions of insurance should be submitted to audit in terms of Financial Regulations.

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| <p>(h) Although the insurance to be claimed in respect of this damage was Rs. 320 million, the amount received was Rs.206.31 million. Accordingly, the information was not submitted to the audit as the actions were taken in respect of the recovery of Rs.113.69 million to be received from the insurance company furthermore.</p> | <p>Comments have not been given .</p> | <p>The information that the amount receivable furthermore from the insurance company should be recovered and submitted to audit.</p> |
| <p>(i) A number of 05 observation sheets related to 34 cases of medicine shortage valued at Rs.12.36 million were examined as an audit test check and it was observed from them that the systematically release of medicines has been a major cause of shortages. However, although 9-12 years had elapsed since these observation papers were issued, actions had not been taken to clear the observation papers in that regard by taking relevant actions by responsible officers.</p> | <p>The Primary Monitoring Board has been appointed on 02/09/2023 to take measures in accordance with the observation papers submitted during the Annual Board of Survey.</p> | <p>The responsible officers should make arrangements to clear the observation sheets and accurate information should be included in the financial statements.</p> |
| <p>(j) In case of audit test checks carried out on expiry of medicines and surgical materials the expired stock valued at Rs. 77.82 million had been kept in warehouses for more than 11 years.</p> | <p>The quality failed medicines disposal process is currently being completed and a Committee has now been appointed under Finance Regulation 104 to dispose of expired medicines.</p> | <p>Actions should be taken to dispose the quality failed medicines.</p> |
| <p>(k) Although the Internal Circular No. 01/2021 of the Secretary of Health dated 08 November 2021 had indicated that the steps to be followed to maximize the use of medicines stocks before they</p> | <p>It is always worked in terms of Internal Circular No. 01/2021 of the Secretary of Health.</p> | <p>Actions should be taken in terms of the internal circular of the Secretary of Health.</p> |

expire, the Medical Supply Division had not acted accordingly so far.

3.3 Local Funded Projects

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<p>Out of Rs.100 million allocated to establish a specialized pharmaceutical production zone for pharmaceuticals in Hambantota Arabokka estate, to attract investment in pharmaceutical production, 66 per cent of it had been transferred to 02 other expenditure objects without completing the work.</p>	<p>Due to the economic situation in the country, the development works of the project was delayed and the allocation remained was transferred to another project where the work was completed.</p>	<p>The funds allocated should be utilized to the maximum extent for the respective projects.</p>

3.4 Procurements

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<p>(a) Additional Secretary (Procurement) attached to the Procurement Division who has overall administrative responsibility for the procurement activities of the Ministry and all institutions under it, and other staff officers, Ministries established to conduct emergency raids and preliminary investigations regarding the affairs of the Ministry and all hospitals and other health institutions under it, Officers of the Flying Squad Division and the officers of the</p>	<p>The overall responsibility of the procurement activities is transferred to the Secretary of the Ministry as per the Government Procurement Guidelines 2.2 and the delegation of powers in those procurement actions have been made to the Procurement Committees and Technical Evaluation Committees which are being appointed according to the Guideline 2.8 and ,</p>	<p>Independent members should be appointed for Procurement and Technical Evaluation Committees and arrangements should be made to obtain advice from the Public Finance Department in this regard.</p>

Ministry Investigation Division who are entrusted with the administrative responsibility related to the formal investigation and discipline of the Ministry and all hospitals and other health institutions under it had been appointed as the members of the Procurement and Technical Evaluation Committees and it could not be ruled out in audit that, this situation may adversely affect the to carry out the procurement process transparently and independently and to carry out transparent and independent investigations regarding various irregularities that may arise in the procurement process..

as per F.R. 135 and Government Procurement Guideline 2.4 , The members have been appointed for all procurement committees in compliance with the Procurement Manual accordingly conform to the compositions shown therein Sections 2.7.4, 2.7.5, 2.7.7, 2.8.3,2.8.4, and 2.8.5 issued pertaining to above Guidelines and, all government officials involved in procurement activities, including the officers of the Procurement Department, have pledged according to the Guidelines 2.12 that they will act independently in accordance with the procurement ethics mentioned in the procurement guidelines 1.4, including the absence of conflicts of interest between the obligations mentioned in the audit and, it should be so done and failure of doing so would be considered as an offense under the Prevention of Bribery or Corruption and Public Contracts Act.

(b) The bids were invited on 27 September 2021 to supply, install, test, trials, operate and perform user training and maintenance of necessary medical equipment for OT, ICU and NICU for Galle New Maternity Hospital based on the

The relevant individual specification comply with the ten equipment under Lot No. 2.1 and 2.2 is clearly described in the Annexure, the technical information available on the Internet for

Necessary actions should be taken to carry out a full formal investigation in this regard regarding the responsible parties and necessary actions should

estimated cost in relation to 2,659,630 Euros. The Ministry Procurement Committee “A” had decided on 31 March 2022, to award the contract to 2,554,253.78 Euros to the bidder who had submitted the lowest price out of the 02 bidders who responded in substantially as per the Technical Evaluation Committee report submitted on 18 February 2022. Even though it had been stated that the all the technical criteria have been met as per the Technical Evaluation Committee report given on 18 February 2022 related to the procurement, it was observed during the audit conducted on the basis of the catalogs included in the bid documents submitted by the organization that decided to award the said contract and the information obtained from the Internet about the said equipment that, 05 items of LOT 2.1 and 05 items of LOT 2.2 have failed to meet 61 technical criteria. But it had been indicated in the Technical Evaluation Report that all those criteria have been met by the respective institution. As a result, it was observed that the objectives to be ensured by the procurement process stated under 1.2 (a) and (f) of the Government Procurement Guidelines had not been fulfilled.

any product or manufacturer may be limited and normally incomplete, there is no contradiction with to the Government procurement process. be taken.

- (c) It had been decided to award the contract for the provision of cleaning services for the year 2022/2023 for the Ministry of Health and affiliated institutions under the competitive bids method for a period of one year from 15

There is no requirement to submit laboratory test reports as per procurement conditions and verification of quality is required, the institution was informed by the letter dated 10.12.2022

An investigation should be conducted regarding the carrying out of the responsible officers in this procurement and disciplinary actions should be taken against

September 2022 subject to a certificate obtained from a recognized institution that the chemicals are of the proper standard. Accordingly, the contractor had submitted only one Laboratory Test Report with part of the laboratory report results removed and five non-Laboratory Test Report "Material Safety Data Sheets" to the Deputy Director General (Supply) on 16 September 2022. Although the maximum age limit of employees is 65 years as per bid conditions 2.18 (v), out of the 44 employees engaged in the cleaning works employed for the Suvasiripaya building complex, 16 employees were above the age limit of 65 years. Even though official identity card should be worn as per bid conditions 4.75(i), only 17 employees out of the total number of 44 employees who should be occupied in the Suvasiripaya building complex were given official identity cards, it was also observed that the employees were not wearing the official identity cards. Actions had not been taken to undertake only equipment with brands agreed at the time of procurement or to check the equipment supplied and note down the brand names mentioned in the equipment actually supplied. It was observed that the contracting agency had not paid the daily wages and overtime rates agreed to be paid to the supervisors and workers as per the procurement decision and conditions. As per the test reports issued by a government laboratory, on a test of samples of 6

in terms of Bid Conditions 2.18 (v) and a group of employees over 65 years of age have been terminated, the firm has been informed by the letter dated 13.12.2022 in terms of bid conditions 4.75(i) and if further progress is not shown in this regard, arrangements will be made to charge fines in accordance with the agreement, the institution was informed to provide the goods only under the respective brands and in response, they mentioned the difficulty of supplying the relevant products under the respective brands at the current prices and obtaining the required quantities in bulk at the same time and the approval has been sought to supply the relevant goods under other brands . It has also been informed that if the employees have been paid less than the values mentioned in the bid documents, the same amount will be recovered.

the responsible parties. The responsible officers should ensure that the bidding conditions are followed. Payments should not be made for the Contractor for the equipment not supplied as per the terms of procurement and as agreed upon. The payments should be made to the contractor only after confirming that the agreed wages and overtime are paid as per the procurement decision and conditions and relevant confirmations should be submitted to the audit. Payments should not be made for substandard chemicals and quick arrangements should be made by the responsible officers to get chemicals with prescribed standard.

chemicals on 30 December 2022, it had been confirmed that 4 chemicals did not conform to the prescribed standard.

- (d) A purchase order had been issued on 26 September 2013 by the Deputy Director General (Public Health Services 1) for the purchase of 168 beds a convertible bed at Rs. 113,800 each from Government Factory, for the use of dengue patients in hospitals throughout Sri Lanka. It was observed that these 168 beds had been completed and handed over on 23 occasions up to the end of 2015. Even though 74 beds had been provided to the Ministry by December 2014, it was decided that only 37 beds were of proper quality and Rs. 4.84 million had been paid for those beds on 08 March 2017. Without making arrangements to check and under take the beds with the specifications at the same time at the time of the beds are made and delivered by the Government Factory, the Government Factory was informed on 22 July 2015, about the defects in the beds after a long delay of one year. As a result, the opportunity to correct the defects in the beds had been lost. In this situation, the remaining payment to the Government Factory had not been made up to 19 July 2022, the date of this audit query.
- The Director of National Dengue Control Unit has informed on 12/02/2014 that after inspection of the sample bed made and completed by the Government Factory, the completed sample bed is at a satisfactory level after the improvements made, after the beds have been made and completed, the handing over process has been done according to the distribution plans given to the Government Factory by the National Dengue Control Unit from time to time, the Director of Health Services has informed the Government Factory on 22/07/2015 regarding the defects in the beds supplied by the Government Factory, it was also informed that it is not possible to pay the total amount for 168 beds as there were defects in the beds.
- It should conduct a full formal investigation in this regard and necessary actions should be taken against the responsible parties.
- (e) The following matters were observed during the audit test check carried out in respect of information called for in the letter dated 21 March 2022 regarding the

maintenance of cleaning services in the year 2020/2021 by the Ministry and all hospitals and other health institutions under it and information of 26 hospitals and other health institutions submitted up to 31 October 2022.

(i) There were three instances in the sample where only Material Safety Data Sheets (MSDS), which are not a laboratory test report issued without testing a chemical sample, were submitted instead of the laboratory test reports that should be submitted in relation to the chemicals that the contractor expects to supply in terms of the procurement conditions relating to the procurement for the selection of contractors for the procurement of cleaning services in hospitals in relation to the year 2020/2021.

There is no requirement to submit laboratory test reports as per the procurement conditions and verification of quality is required, as the Material Safety Data Sheet (MSDS) reports are issued after an analysis of the main ingredients contained in any product, their chemical composition, their amounts and whether they contain substances harmful to human consumption and their adverse effects, the Technical Evaluation Committee and the Procurement Committee have considered this certificate as a certificate confirming the standard and carried out the evaluation work.

Clarifications should be obtained from the Industrial Technical Institute on the appropriateness of using the Material Safety Data Sheet (MSDS) as a laboratory report in the procurement process and the information should be submitted to the audit.

(ii) Despite the full inspection report was not submitted by the institutions that had submitted laboratory test reports in 18 instances, it had had acted irresponsibly in evaluating bids and making procurement decisions.

The bid conditions will be amended to be able to identify the standard of each chemical in future.

It should be verified whether Sri Lanka standards have been prepared and approved for all the chemicals used and the laboratory reports submitted should be carefully checked.

(iii) There were 21 cases where other chemicals were provided instead

It has been ascertained that the relevant service has

Certified copies of laboratory reports

of the chemicals agreed to be provided by the contractor. Since the approval had not been obtained for this, it was observed during the audit that all payments made for chemicals should be charged from the responsible parties.

been performed to the required standard before making the payment.

confirming that the relevant service has been rendered to the prescribed standard should be submitted to audit promptly.

(iv) Only the procurement decision pertaining to obtaining cleaning services was given to hospitals and other health institutions and it was observed in audit that the authorities of the hospitals and other health institutions receiving the service directly are informed about the terms of the bid or the prior agreements made with the bidder.

The copies of contract award letter and bid documents are sent to hospitals.

Arrangements should be made to send bid conditions relating to obtaining and payment of cleaning service and all information related to that to the authorities of hospitals and other health institutions that receive this service directly.

(v) As per certain bids submitted, there were the cases where 100 per cent discount was given for chemicals were observed. It was observed in audit that, in such cases, there were 05 instances in which bids were awarded to the same bidders on the basis of an affidavit of supplying chemicals of prescribed quality or by increasing the value of the performance security.

In preparing the conditions of tender, attention will be paid furthermore, regarding this matter in the future.

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(vi) Bids had been invited on 23 cases without a cost estimate prepared for the cleaning works.

The arrangements will be made to inform the respective hospitals to prepare and submit the relevant cost estimates as per the provisions mentioned in the Procurement Guidelines from the year 2023 and the

Standards should be established by an expert committee on what equipment and chemicals are essential for this cleaning service and how to determine the amount of equipment, chemicals and labor required .

actual consumption of the previous year, arrangements will be made to conduct evaluations using the market price as a criteria in the future.

(vii) As per the approved estimate relating to availability of cleaning service for the year, it was observed that there were 34 cases in which some chemicals and cleaning equipment are provided completely or less than 70 per cent out of the cleaning chemicals and cleaning equipment identified in need for the year in relation to 11 hospitals .

The appointed committee has been instructed to prepare common criteria in this regard as per the nature of the hospitals and institutions concerned for inviting bids for the future year, accordingly, common criteria for standards and estimates will be prepared .

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(viii)The chemicals to be supplied shall be in unopened market packages as per the bid conditions and although chemicals certified by the Institute of Industrial Technology as conforming to the Sri Lanka Standard with the manufacturer's seal that the chemicals are supplied in accordance with the standard should be supplied, 7 cases were observed where the contractors did not act accordingly and did not submit the information for some hospitals and institutions.

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A random sampling and inspection mechanism should be established and only chemicals of the type agreed upon and laboratory reports submitted at the time of procurement should be undertaken .

(ix)Although the monthly required quantities of equipment and chemicals should be received by an officer of the Infection Control Unit of the hospital/

Actions are being taken to have cleaning equipment and chemicals duly for Ministry of Health Suvasiripaya premises

A circular should be issued covering all the areas related to that process to strengthen internal controls in the

institution or an authorized officer and entered in the stock books, kept in custody and issued as per requirement, 18 cases where the equipment and chemicals were retained by the contractor and the hospitals/institutions did not submit the related information to the audit were observed.

inspected by the Public Health Inspector and accepted into the public warehouse by now and actions will be taken to make aware other hospitals and health institutions in the future and to examine this and prepare a formal internal control mechanism in this regard.

process of procurement of cleaning services.

(x) A bidder was awarded contracts for 10 hospitals/institutions by giving 100 per cent discount on chemicals as per the information submitted to the audit and 03 other hospitals/institutions had refused to undertake the contract after awarding the tender . The submission of quotations for chemicals for the hospitals that were rejected in this way was also specific. The originals of the bid guarantees related to these 03 institutions had only been called to the Senior Assistant Secretary (Procurement) Division and actions had not been taken to forfeit the bid security or blacklist the contracting agency.

Actions have been taken to forfeited the bid securities submitted by the bidders who have refused to accept the contract in 03 hospitals monitored by the audit, the reasons given by the contractors are satisfactory and acceptable and there is no need for blacklisting.

Written evidence confirming all the matters mentioned in the answer should be submitted for audit promptly.

(xi) Although it is the responsibility of the contractor to deploy cleaning workers at designated locations for hospitals/institutions as per the conditions of procurement, 6 cases where this was not done was observed and the number of undersupplied workers had

It has been ascertained that the service has been satisfactorily performed before payment is made.

The standards should be established in respect of determining the required quantities of workers by an expert committee.

ranged from 10 per cent to 35 per cent.

- (xii)** As sum of Rs.285,824 had been paid as other expenses from January to September 2021 non-compliance with the contract agreement with the contractor selected to carry out the cleaning service of the Health Promotion Bureau. It has been mentioned an amount of Rs.285,824 was paid to the supervisor as other expenses for maintaining the cleaning service of the Health Promotion Bureau. The written confirmations pertaining to this should be submitted for audit.
- (xiii)** Even though the contractor had agreed to supply branded equipment during procurement, 4 hospitals and institutions had not supplied with such branded equipment. Amounts paid for equipment but not supplied as agreed should be recovered from responsible parties. A copy of the bid document is forwarded to the respective agencies as an attachment along with the contract award form and it is mentioned its respective agreements therein. It should conduct a a full formal investigation in this regard and necessary actions should be taken in respect of responsible parties.
- (xiv)** As per the above observations, it was observed that the internal control system implemented by the Ministry and the hospitals and other health institutions in respect of obtaining cleaning services for hospitals and other health institutions was at a very weak condition. As a result of this weak internal control system, it was ascertained that the government money has been spent in an error manner for a long time. Revision of bid documents to be able to include the brands offered by the bidders, arranging activities to obtain certificates confirming that the standard of each chemical submitted with the bid is in accordance with the Sri Lanka standard during bid evaluations, inclusion of "In cases where detergents are not able to provide a Sri Lankan standard, an affidavit must ensure that detergents with a Sri Lankan standard will be provided. In the event that this is not possible, the bid will be removed from the bid evaluation" should be made in the bid documents, A circular should be issued covering all areas related to the process in order to strengthen the internal control of the process of procuring cleaning services and weaknesses in the procurement process should be removed and the procurement process should be strengthened.

measures will be taken from the year 2023 to organize arrangements to inform the relevant hospitals to prepare and submit relevant estimates according to the provisions of the Procurement Guidelines and the actual consumption of previous years and, to organize activities to get recommendations from a committee to prepare common criteria for preparing estimates according to the nature of hospitals and institutions related to the invitation of bids for the next year.

- (f) As per the details obtained from 16 hospitals that submitted to the audit up to 31 October 2022, the estimates prepared for the year 2021 including raw food requirements for providing cooked meals to inpatients and junior staff in hospitals, had been prepared without any logical basis. Some of the items included in these estimates were not ordered on any date during the year and certain items had been ordered in very small quantities.

As a result of limitation of competition, complexity of the procurement process, providing opportunities for irregularities in the procurement process, deprivation of equal opportunities for all bidders through submission lower unit price for materials that are not ordered and under-ordered by the hospital

Estimates for the procurement of raw food materials are prepared and sent by the respective hospital and as there were some weaknesses in those estimates; that it has been instructed to base the quantities actually ordered in the previous years, arrangements will be made to focus on actual supply quantities in future procurements.

Necessary actions should be taken in order to overcome the deficiencies identified by the Ministry and pointed out by all the audit queries referred so far in relation to the provision of cooked food to the inpatients and junior employees of the hospitals and it should be confirmed to audit.

and higher unit price for materials that are over-ordered by several contractors who are aware of these situations according to their experience, due to bidding with high value, taking a higher value of the bid security to be submitted and the performance security to be submitted if selected, the submission of bids has limited and because of preparation of a realistic estimate and to be able to procure by the Regional Procurement Committee of the Hospitals were being done by the Ministry Procurement Committee it was observed during the audit that there may be adverse conditions such as significant delays in the procurement process. In analyzing information from 16 hospitals that submitted information to the audit the actual requirement of 967 items equal to 63 per cent of the estimated annual requirement of those hospitals was less than 50 per cent.

The number of items ordered from 51 per cent to 75 per cent of the annual requirement was 280 equal to 18 per cent of the total number of items. Likewise, number of items ordered more than 75 per cent of the annual requirement was 150 items equal 10 per cent of the total number of items.

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| <p>(g) The construction of a wall around the Iavelikkandam land with an area of 1.4309 hectares which was given in the year 2019 to Ashroff Memorial Hospital in Kalmunai had been done in 3 phases at a total cost estimate at a cost of Rs. 27.84</p> | <p>Taking Off Sheets and Field Note Books for work sites can be provided in future, due to shortage of gravel the contractor proposed to fill with clay less sandy soil as an alternative fill</p> | <p>A formal examination should be done and the facts in the answer should be confirmed and submitted for audit and necessary actions should be taken on matters that</p> |
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million in the year 2021 . The Structural Plans, Taking Off Sheets which confirms how the estimated work quantities were calculated and Field Note Books which were prepared in relation with all three phases of this procurement had not been submitted to the hospital by the consulting service provider even by 29 November 2022 at the event of audit and the hospital had made payments to the institution without being obtained the documents. Although the estimated amount of gravel to be applied in three inch layers on both sides of the foundation of the boundary wall using gravel or filling medium of approved quality under work item A-01 for the third phase was 575 cubic meters, a sum of Rs. 4.88 million had been paid without properly ascertaining the amount of work done that the contractor applied 2235.86 cubic meters of gravel i.e. 289 per cent of gravel exceeding the estimated requirement, based on an inaccurate contour plan and without laboratory test reports on the quality and consistency of the filling medium applied. Although it was requested in audit to confirm the accuracy of the measurements for this work item by physical examination, the physical examination was not organized up to 17 July 2023. Likewise, without obtaining laboratory test reports, an amount of Rs. 1.06 million had been paid to the contractors for all three phases, for the use of concrete for concrete beams and concrete columns and a value added tax of Rs.748,649 had

medium and the CECB approved the same, the soil has been compacted as a single layer by filling the soil up to the ground water level, the CECB did not carry out laboratory testing of soil compaction, the filling material was unloaded from the land until initial measurement work was done, the filling of land was commenced after initial measurement work was done and, accordingly CECB recommended first payment on the quantity filled, the filling work was done under the direct supervision of CECB, direct access to section A was not possible due to availability of water in the contract land, and soil was filled for protection of the front part of boundary wall near MOH office, as very little amount of concrete was applied daily concrete cube test records were not available in CECB, they have closely monitored the concrete work and certified that approved concrete mix was used, tax invoices are attached herewith, information about VAT payments has been sent to the Inland Revenue Department.

cannot be confirmed and the accuracy of the measurements proposed by the audit should be confirmed by the physical examination.

been paid to the contractor and the consultant without obtaining a formal tax invoice in terms of Section 20 (1) of the Value Added Tax Act No. 14 of 2002.

(h) A sum of Rs. 4.89 million and Rs.3.68 million had been paid in the years 2018 and 2019 respectively for the provision of medical laboratory testing services required by the Ashraf Memorial Hospital in Kalmunai for selecting a private medical laboratory near the hospital and getting that medical laboratory testing services. The matters observed during the audit inspection in this regard are shown below.

(i) All three suppliers registered by the hospital for obtaining laboratory testing services were the parties who had a direct relationship with the hospital.

That quotations were made through national newspapers for private medical laboratory tests in the year 2020 as a measure to increase transparency.

Transparency in supplier registration process should be maintained and the parties not having direct/indirect relationship with the hospital should be registered.

(ii) Technical evaluation reports had not been prepared for these procurements in 2018 and 2019 and the members of the Technical Evaluation Committee, including the owner of the private laboratory to which the supply was handed over, had been members of the procurement committee in addition to the three members of the Regional Procurement Committee appointed by the Ministry. Similarly, another official had signed off on the procurement decision on behalf of a member of the Regional

Unawareness of the Medical Superintendent of the Hospital that he was the owner of one of the laboratories for which the prices were to be submitted, a committee consisting of all specialist doctors and accountants was established for selection of private medical laboratory as per Circular No. D/LS/Labtest/2017 dated 21.01.2017, however, the necessary arrangements have been made to prevent this offense from happening

The members of Technical Evaluation Committees and Procurement Committees should be appointed in terms of Government Procurement Guidelines and consistencies of contacts should be declared. Formal actions should be taken regarding the violation of the provisions of the Procurement Guidelines without doing so.

Procurement Committee appointed by the Ministry in relation to the year 2019. again.

(iii) When testing a sample of 15 types of tests that were frequently performed by the private laboratory pertaining to the years 2018 and 2019, it was observed that all the 15 types of tests are the types of tests that can be performed by the laboratory equipment available at the hospital. A sum of Rs. 2.33 million and Rs. 2.04 million had been paid to the private laboratory by carrying out total of 1,386 and 1,307 tests regarding those 15 test types in the two years respectively.

Although several tests can be performed as per the product information of existing equipment, due to shortening of life after application of reagent-kits to the device, when considering the number of tests ordered over a period of time they are not cost effective, the tests may not be cost-effective to be done in the hospital, the decision on the quickness of the investigation was determined by the respective specialist doctors depending on the condition of the patient under their supervision.

An independent investigation should be carried out and necessary actions should be taken accordingly.

(iv) It was observed that the data was deleted or changed in a certain way by not being able to obtain data related to the years 2017, 2018 and 2019 using the BS 480 Automated Biochemistry Analyzer available in the hospital laboratory. Due to the fact that the hospital laboratory has been given the Admin password that can access the data of this device, the internal control over security of device data was at a weak level.

The approval has been given to appoint an independent expert committee, to examine and submit a report on the matters mentioned in this observation as suggested by the audit at the request of the Medical Superintendent of the Hospital, actions will be taken to provide that report in future.

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(i) A sum of Rs. 10.15 million had been over paid in contrary to the conditions (a) to (f) of the procurement decision given by the

According to the salary sheet of the cleaning service supplier company, the cleaning workers have

Overpayments made and taxes paid should be collected from relevant entities or responsible

Ministry Procurement Committee on 17 December 2018 as wages and overtime allowances of cleaning service workers by Ashroff Memorial Hospital, Kalmunai regarding increased gratuity payments by the Government to employees of cleaning services industry as per the Special Gazette No. 2080/22 dated 16 July 2018, and a sum of Rs. 3.20 million had been paid as Value Added Tax for this period without being obtained a formal tax invoice in terms of Section 20 (1) of the Value Added Tax Act No. 14 of 2002.

received the increased salary in August 2018, the Commissioner of Labour has been directed to ascertain whether the provisions made to the Employees' Provident Fund and the Employees' Trust Fund have been paid for the increased rate, The cleaning service supplier has entered the tax on their gross value with tax registration number and it has been included in the same invoice they submit for their monthly expenses like labor, chemical and other expenses, and the details of their Value Added Tax have been given to the Inland Revenue Department.

parties and reported to audit.

(j) The contract for the provision of cleaning service to Ashroff Memorial Hospital for the year 2021/2022 had been awarded to a private cleaning service at an estimated cost of Rs. 62.69 million. As per the field inspection carried out on 05 July 2022, eighteen workers were employed in less for the day shift on that day, payments had been made to the total contracted number of workers by recording that, more workers were employed than the number of contracted cleaning workers based on false reports throughout the 2021 contract year. Likewise, in contrary to condition 15.1 of the agreement, the Hospital had paid an amount of Rs. 40.08 million as wages and allowances of cleaning workers

The wages of 18 workers have been deducted, one Development Officer has been deployed to detect any abnormalities in the documents and check physical attendance, the administrative officer is also doing random monitoring. The subject officers have been instructed to check the certified pay slip and other documents as per condition 15.1 of the agreement while preparing payment vouchers, the excess equipment list for 2021/2022 with reduced requirement has been considered and again the

Prompt steps should be taken to strengthen the monitoring of attendance of cleaning staff of hospital and attendance reports submitted to the hospital by the supplier and it should be verified that the salary has been paid for the month as per the agreement and it should be checked whether the supplier has been overpaid from February 2021 to January 2022. Similarly, the annual requirement of the hospital should be accurately estimated and monthly purchases should be made by considering

from February 2021 to January 2022 and due to purchase of equipment without paying attention to the quantity of equipment remaining in the warehouse, 357 units of equipment belonging to 8 categories with a cost of Rs.2.13 million remained idle in the main warehouse as at 05 July 2022.

equipment list for 2022/2023 has been submitted on 12.07.2021, the excess equipment will be used in future without having the supplies of the contractor and the contractor has been informed not to supply the equipment in the warehouses.

the cleaning service equipment remaining in the warehouse.

(k) Even though Fully Automated Biochemistry Analyzer equipment valued at Rs. 7.50 million had been purchased in May 2021 by calling quotation on 30 August 2019 following the National Competitive Bidding System for the purchase of the equipment for the laboratory of the Outpatient Division of the Colombo National Hospital, it was observed that, the necessity to purchase this equipment, which can perform at least 4,000 tests daily, beyond the average daily test capacity of 614 tests performed using the equipment that the outpatient laboratory had at that time, was not recognized, the technical specifications prepared by the hospital in relation to this procurement were not forwarded to the Biomedical Engineering Division and approved and it did not include 02 critical criteria that should be included in the purchase of such equipment, out of the specifications submitted by the selected bidder, 05 CRITICAL specifications were against the required specifications, so the bid should have been rejected, instead, the Procurement Committee had

The previous Bio Chemistry Analyzer was about 10 years old, it cannot be used for tests like Lipid Profile due to frequent breakdowns, an analyzer capable of performing 4000 tests per day has been purchased to fulfill the objective of providing all tests and prevent outpatients and clinic patients from seeking services from private laboratories, the Technical Evaluation Committee at that time has prepared the specifications to match with the equipment, Nevertheless, an engineer from the Biomedical Engineering Division has been consisted of the Technical Evaluation Committee and he has evaluated these specifications, the recommended bidder has agreed to all sections of the specification, there was no preparation of procurement schedules at that time as mentioned in the audit, this

When purchasing the equipment, the requirement of it should be evaluated accurately and it should be properly documented. Likewise, The Chief Accounting Officer shall make it mandatory by a circular if there are standard technical specifications then those approved specifications should be used and in the absence of standard technical specifications, the prepared technical specifications should be sent to the Biomedical Engineering Division and get approved. The provisions of the Government Procurement Guidelines should be followed. A formal examination should be carried out and the facts verified in respect of non-inclusion of required criteria in the bid documents, contradiction with required

given the recommendation to buy the equipment from that bidder without explaining it, the specification of Original Equipment Manufacturer (OEM) certificate certifying the equipment is brand new and the date of Manufacturer certified by the manufacturer shall be handed over with the equipment as per Item No. 41.4 of the Specifications was a major criteria, as this certificate was not given at the time of delivery of the above device, it was not confirmed whether this device was a brand new device, the hospital had not taken actions until 31 March 2022 to identify the 15 types of tests performed using third-party reagents and obtain an open competitive minimum price for those reagents, the procurement was not carried out in accordance with provisions 2.12, 2.14.1, 4.2.2 and 6.3.6 of the Procurement Guidelines and Manual, because the Technical Evaluation Committee and the Procurement Committee did not focus on the price increase of 27 per cent between the unit prices (without VAT) that were presented 01 year and 08 months ago on 06 January 2017 and the unit prices (without VAT) that were presented on 17 September 2019 regarding Reagent, Consumable and Calibrator used for this type of equipment, an environment where more value is paid to the supplier for the Reagent, Consumable and Calibrator used for the above equipment had been created by the hospital.

has been delayed due to the Corona epidemic in the country, that the Compliance Certificate is a certificate from the original equipment manufacturer that certifies that the equipment is new, this is sufficient to show that the machine is new although it was handed over later. The supplier has agreed to open up 15 channels, thereby enabling the use of third-party reagents, it has been ascertained that the relevant forms have not been submitted by the Members of the Procurement Committee and other officers, the opening of bids is currently being carried out in a prescribed form, and they are working to get the approval of the Head of the Department for future procurements. It is normal to change the price of imported goods with the dollar exchange rate that fluctuates from time to time, Likewise, since the prices may change a lot in the 2 years 2017-2019, it is not possible to make a price comparison.

specifications, and the lack of focus of the Technical Evaluation Committee and the Procurement Committee regarding the 27 per cent increase in the price of Reagent, Consumable and Calibrator. It should expedite the identifying of the 15 types of tests performed using third-party reagents and obtaining an open competitive minimum quotations for those reagents.

(I) The Ministry had awarded the contract for supplying and installation of 10 tanks with all accessories to store liquid medical oxygen for 9 hospitals under the Ministry of Health on 19 December 2020 for Rs. 75.75 million to the only bidder who had submitted the price under the National Competitive Bidding System in the year 2020 and the work had to be completed within 336 days from that date.

(i) Despite it was informed that the ownership of the tanks which were provided and installed free of charge by a private company in these 09 hospitals can be transferred to the respective hospitals in the year 2024 without charging any fees and also the oxygen storage tanks in the hospitals have met the oxygen requirement sufficiently so far and, the respective hospitals did not request in writing that new tanks are needed for the storage of oxygen and also there is a possibility of purchasing liquid medical oxygen at competitive prices and fill into existing tanks after the year 2024 and it was observed that there is no need to construct new tanks. Therefore, this procurement was observed as a useless transaction.

The ownership of the oxygen tanks is with the respective private entity, the supply company had the opportunity to maintain a market monopoly until the year 2024, the procurement entity has positively intervened to eliminate this market monopoly, it has been informed by the letter dated 14.10.2019 by the Secretary of Health to the hospitals for that purpose to continue to get the service from the present service provider until they adopt a competitive system, Similarly, the institution has informed verbally that the oxygen tank given by the organization to the Castle Street Women's Hospital will be removed in the near future and it has been informed that it will be notified in writing in the future.

When purchasing the equipment, its necessity should be evaluated accurately and it should be properly documented.

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| <p>(ii) The contractor had supplied and installed only 05 tanks. However, out of these 5 hospitals, only 02 hospitals formally under taken and used oxygen tanks and 03 oxygen tanks at a cost of Rs. 20.15 million which were installed in 03 other hospitals had remained in idle for almost 1 ½ years.</p> | <p>As the oxygen tanks cannot be suddenly installed after the company dismantles the oxygen tank in its possession after the expiry of the contract period, it was decided to install oxygen tanks belonging to the Ministry in the respective hospitals to face the future risk situation.</p> | <p>A formal investigation should be conducted and the facts should be verified.</p> |
| <p>(iii) An amount of Rs. 17.28 million, that is more than 100 per cent, had to be paid by the year 2022 for a 10000 liter liquid medical oxygen storage tank which could have been procured for Rs. 8.22 million at the beginning of the procurement due to the award of the contract with a delay of 09 months beyond the planned time.</p> | <p>Due to the spread of the Covid-19 epidemic situation in Sri Lanka by the date of bid opening the procurement activities has been disrupted, as a result there has been a delay of about 13 weeks to provide technical evaluation committee reports on pre-bid meeting proceedings and bid evaluation.</p> | <p>A proper investigation should be carried out and necessary actions should be taken.</p> |
| <p>(iv) A sum of Rs. 710,220 had been overpaid to the contractor as Value Added Tax by the Ministry and it was observed that this amount should be recovered from the contractor or the responsible parties.</p> | <p>In payment of VAT, the tax payments are made on the date of payment and not the taxes on the date of the bill.</p> | <p>The overpayment shall be recovered from the contractor or responsible parties.</p> |
| <p>(v) Although the contractor should be registered for contracts exceeding Rs. 5 million as per the Public Contracts Act, it had not been acted accordingly.</p> | <p>The instructions have been given to pay attention to this in future procurements.</p> | <p>The provisions of the Public Contract Act should be followed.</p> |
| <p>(vi) As a result of the hospital was not aware of whether the hospital owned the liquid medical oxygen storage tank with a capacity of 20,000 liters</p> | <p>The hospital has the ownership of the liquid medical oxygen storage tank, Nevertheless, as it has been installed for a long</p> | <p>It should conduct a formal inspection and find out whether loss has been caused to the government and the relevant loss</p> |

installed at the Colombo National Hospital or not, it had been impossible to procure the liquid medical oxygen at competitive prices.

time, it was impossible to find the related files.

should be recovered from the responsible parties.

- (m) The internal telephone system of the National Eye Hospital had been established in 2012 and this service had been obtained by making annual payments to the system provider for a period of 08 years from 28 April 2012 to 27 April 2020 for maintenance and servicing of this system. The following observations are made during the audit carried out in this regard.

- (i) Although the Regional Procurement Committee of the hospital had decided to approve the annual maintenance and service agreement submitted by the supplier subject to 05 conditions and make payments accordingly after obtaining a technical report from the Telecommunication and Regulatory Commission regarding the annual maintenance and service agreement submitted by the supplier, the decided terms were not communicated in writing to the supplier in the years other than 2014/2015 and 2015/2016 and the hospital had accepted as it is and implemented the annual maintenance and service agreement offered by the supplier.

Although the Technical evaluation reports have also been obtained as prescribed in the respective years and after that the approval of the Procurement Committee has been obtained, the contractor was not made aware by a mistake, actions will be taken to notify the contractors as prescribed, in the future.

All payments made without evaluating whether the system maintenance and services have been received in terms of conditions in procurement should be recovered from the responsible parties.

(ii) As a result of non-maintenance and servicing of the internal telephone system because of failure of servicing of the telephone system once a month and non-payment quarterly as per conditions decided by the Procurement Committee, the payment of more than Rs.2 million to the supplier in the last 7 years is observed as an uneconomic transaction and all payments made should be collected from the responsible parties without evaluating whether the maintenance and services of the system have been obtained in accordance with the procurement conditions.

(n) An expenditure of Rs. 38.09 million had been made for the procurement of Polythene Garbage Bag requirement of the Colombo National Hospital for the year 2021 from a private company and 05 companies that provide cleaning services to the hospital through open quotations. The following matters were observed during the audit carried out in this regard.

(i) The identified requirement for polythene garbage bags for the year 2021 had been overestimated by 51 per cent based on the reports of the year 2019 without being properly identified the requirement of polythene garbage bags required by the hospital. Likewise, the reason for meeting of the polythene garbage bags

Identifying the need for polythene garbage bags in the hospital is done by the Infection Control Unit of the Hospital and the garbage bag requirement for the year 2021 was made based on the reports of the year 2019 and only the 06 months requirement has been procured through the

The scale and sizes of polythene garbage bags required by the hospital should be precisely and accurately identified.

requirement by the hospital in two ways was not clear in the audit and the hospital did not have the procedures on how to use the polythene garbage bags purchased for the dispose of the waste.

procurement of 2021 on the request of the Consumables Storekeeper, only the hospital is taking actions to meet the requirement of garbage bags currently, as indicated by the audit and the collection of garbage bags from janitorial agencies has been completely stopped.

(ii) Due to use of large scale polythene garbage bags for small and medium bins by the hospital from 21 March 2021 to 31 January 2022 approximately a loss of Rs. 2.81 million had been incurred to the government.

At present, garbage bags are being issued by classifying garbage for each ward and section as indicated by the audit.

A formal examination should be conducted and the loss caused to the government should be recovered from the responsible parties.

(iii) It was observed that an amount of Rs. 16.4 million paid for the yellow color garbage bags which were provided with less thickness of polythene layer than the requirement requested by the hospital, Rs.8.45 million paid for small, medium and large scale polythene garbage bags in green, blue, red, and orange colors and Rs. 7.25 million paid for black color polythene garbage bags provided by janitorial providers to the hospital were uneconomic payments.

A Committee has been appointed to investigate this matter and the relevant recovery activities will be carried out as per its recommendations.

The recommendation of the Committee should be obtained and the respective recoveries should be expedited.

(o) An agreement had been entered into for a period of 3 years from July 2020 to June 2023 to establish a Queue Management System and Patients Communication System (QMS) in the Kandy National Hospital so that the monthly rent

was Rs. 257,247 on 01 July 2020. The following matters were observed in this regard.

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| (i) | An officer with knowledge of such a system or an expert in the subject had not been attended the Regional Procurement Committee As per 2.8.5 of the Government Procurement Guidelines and a technical evaluation committee had also not been appointed for this purpose. | The Secretary of Health has given the necessary instructions on 16 February 2023 to ensure that the deficiencies pointed out by the audit query do not re-occur and it has been informed the relevant departments and officers to act accordingly. | Action should be taken in terms of Government Procurement Guidelines . |
| (ii) | Due to non-operation of the respective system by 12 October 2022 three Kiosks, 08 Mini PCs and 06 32-channel televisions remained idle in the clinic premises of Cardiology, Diabetes and Gyn Clinic of the hospital. | As soon as the problem of providing the paper rolls needed to operate the system is resolved, they will be used for the services, a discussion was held with Sri Lanka Telecom on 27 April 2023 at the hospital regarding the steps to be taken to implement the system by solving all the problems. | Action should be taken to utilize this system quickly. |
| (iii) | Even though Rs. 4,751,339 had been spent to implement the above system, between July 2020 and February 2022, due to lack of introduction of internal control which includes planning, directing and monitoring, the relevant system could not be implemented up to now. | Actions were taken to introduce this system to provide more efficient service by reducing patient overcrowding and patient and staff problems within the hospital, the Sri Lanka Telecom has been informed to refund the fees charged in relation to the time the system was not functioning properly. | Written evidence should be furnished that this amount was recovered. |
| (p) | The Kandy National Hospital had purchased 06 electric passenger transport vehicles and 04 electric ambulances on 08 February 2018 | As the second largest hospital in Sri Lanka, these electric vehicles were purchased with the aim of | A full investigation should be conducted regarding the violation of the Procurement |

for Rs. 18.02 million with the aim of increasing the quality of patient care services, without considering the weaknesses pointed out by the Technical Evaluation Committee Report and without complying in accordance with 8.12.1 (b) and 8.12.2 (a) of the Procurement Guidelines. However, these vehicles were removed from the use after 2 years of purchase due to various technical faults.

reducing problems such as the existing of scattered wards and clinics under various topographical conditions in an area of about 29 acres, as well as the fact that it is very difficult for patients to travel on foot, the benefits such as reduction of noise and air pollution, reduction of high cost of fuel, vehicle maintenance and repair, ability of using ambulances only for their specific purpose, ability of using ambulances for patient transport on impassable roads, ability to park with a minimum space, being a ventilated type of vehicle that can be used to transport patients preferably during epidemic situations like Covid-19, being able to operate even without an ambulance attendant have been received to the hospital and the patients arrive to the hospital .

Guidelines and these assets should not be kept in idle.

(q) A number of 13,999,050 doses of Pfizer vaccine worth Rs.16,101.72 million had been given to the Epidemiology Department through the State Pharmaceuticals Corporation to fight against the Covid-19 pandemic by the World Bank Loan-enabled COVID 19 Emergency Response and Health Systems Preparedness Project (Third Additional Financing) during the period December 2021 to January 2022. Besides the Batch

The approval of drugs and vaccines used in Sri Lanka is done by the National Drug Regulatory Authority and the vaccines or vaccine classes not approved by that institution cannot be used and the Director General of Health Services has made an official inquiry with the National Drug Regulatory Authority regarding the use of the omitted Batch of

It should follow up on the reasons for avoiding that Batch and the responsible parties should be identified.

FN 9092, which consists of 781,560 vaccine doses of vaccine, only 04 Batches had been approved in granting approval by the National Drug Regulatory Authority that the shelf life of vaccines can be extended up to 12 months based on manufacturer's certification if the supply chain of vaccines is maintained under approved storage conditions and the value of this omitted Batch had been Rs.1,055,290,644.

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| (r) | The State Pharmaceutical Corporation had purchased 79,500 units of Ceftriaxone Sodium for Injection BP 500mg (ALCEF 500) at a cost of Rs.1.49 million from a company that does not have a valid registration certificate from the National Drug Regulatory Authority. | Comments have not been given. | Drugs should be purchased only from institutions registered with the National Drug Regulatory Authority. |
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3.5 Underutilized Assets

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(a) The CCTV camera system covering Medical Supplies Division office building and warehouse complex consisting of 72 cameras installed in 2016 at a cost of 6.50 million had dormant for more than 02 ½ years and the Medical Supply Division had not taken actions to enter into a formal contractual agreement or maintenance agreement with the respective company as per	The movement restrictions imposed due to the spread of the Covid-19 virus and the instability in the country were affected to delay the modernization of this system and actions will be taken not to occur such delays from now on. It has been impossible to enter into an agreement with the relevant company and	Actions should be taken to maintain the CCTV camera system which has been installed at high cost and arrangements should be made to enter into a formal contract agreement or maintenance agreement in this

Procurement Guidelines 8.9.

arrangements will be made in order to avoid such omissions from now on. regard.

(b) As a result of failure of providing required chemical to operate the Freezing Microtome machine installed in the Histopathology Laboratory of the North Colombo Teaching Hospital cost at Rs. 5.83 million had remained in idle .

The chemicals should be purchased from the relevant agency itself, although the quotations were called on 27 November 2022 as per request dated 16.11.2022, the relevant institution did not submit the quotations and, As soon as the quotations are submitted, further action will be taken.

The reasons for this situation should be identified and corrected expeditiously and in purchasing the machine, it should be checked whether it has been confirmed that the chemicals required for testing are continuously supplied and prompt actions should be taken to put the machine into use.

3.6 Assets Management

Audit Observation

Comments of the Chief Accounting Officer

Recommendation

It was observed that the necessary rectifications regarding the audit observations included in the Special Audit Report on Vehicle Management of the Ministry of Health issued by the Auditor General on 22 April 2019 and the implementation of the recommendations included in that Special Audit Report were not at a satisfactory level.

(a) The information related to the two years 2021 and 2022 regarding the use of vehicles owned by the Ministry was not submitted to the audit.

The answers will be furnished by the audit query containing these facts .

These information should be submitted to the audit expeditiously.

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| (b) | Although it was shown that data on 1301 vehicles had been entered on 17 March 2023 as per the Vehicle Management Computer Data System of the Ministry, among those vehicle numbers, 04 vehicle numbers were included in 3 cases each and 98 vehicle numbers were included in 2 cases each. | -do- | The Vehicle Management Computer Data System should be handed over to a responsible officer and properly maintained. |
| (c) | The asset records maintained by the Transport Division of the Ministry had not been formally maintained in the custody of a responsible officer. When issuing a number of 1167 vehicles it had not been issued on an issuing order as per the identifiable notes included in these two asset registers and actions had not been taken to obtain a Goods Received Notes in respect of 1870 vehicles. | -do- | Asset records relating to vehicles should be maintained in the custody of a responsible officer in a proper manner and releases, transfers or releases should be properly recorded in these asset records and certified by a responsible officer using his name and signature. |
| (d) | It had been stated that 679 vehicles owned by the Ministry were missing as per the above mentioned Special Audit Report. Although it was mentioned that 240 vehicles out of that were identified, sufficient information was not submitted to the audit to confirm the same and although about 04 years had elapsed since the issuance of the said Special Audit Report, it had been impossible furthermore to find details on 439 vehicles, even up to the date of this audit query. | -do- | Prompt actions should be taken in respect of missing vehicles |
| (e) | According to the information submitted to the audit, the details on 201 vehicles out of the 1216 vehicles owned by the Ministry | -do- | Data system and asset records related vehicles should be |

and 68 entities /hospitals and Divisions , had not been entered in the computer data system maintained by the Ministry and details of 277 vehicles had not been included in the Register of Assets .

properly maintained.

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| <p>(f) According to the information identified and received during the audit, the specific information regarding 2299 vehicles received/ purchased by the Ministry was not submitted to the audit. Even though 1540 vehicles out of these 2299 vehicles had been entered in the Register of Assets maintained by the Transport Division, 35 vehicles out of that , had not been recorded for which locations they were issued. Likewise, information about 759 vehicles had not been included in this Register of Assets. In addition, information about another 56 vehicles was also not submitted to the audit.</p> | <p>-do-</p> | <p>-do-</p> |
| <p>(g) The Ministry had not implemented a system for the prompt disposal of vehicles that are removed from use for many years. The vehicle disposal process commenced in 2018 had not been completed even by 10 April 2022 .</p> | <p>-do-</p> | <p>Actions should be taken for the expeditious disposal of vehicles to be disposed which had remained of ownership in the name of the Secretary of Health or the Director General of Health Services.</p> |
| <p>(h) The Western Provincial Department of Motor Vehicles had informed in writing to the Secretary of the Ministry of Health on 28 January 2022 regarding taking possession of a vehicle owned by the Ministry of Health</p> | <p>-do-</p> | <p>Legal actions should be taken in this regard to get returned the vehicle and disciplinary actions should be taken against the officers</p> |

by submitting false information as a vehicle sold at auction in the year 2022. But the responsible officers had not taken sufficient measures even up to 10 April 2023 to legally take over this vehicle again to the Ministry .

who have deviated the of responsibilities.

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| <p>(i) A number of 805 motorcycles purchased at a cost of Rs. 239.48 million had not been entered into the Register of Assets of the Ministry in the year 2020 and the responsible officers had not made arrangements to enter into written agreements with the persons who were provided these motorcycles.</p> | <p>-do-</p> | <p>Written agreements should be entered into expeditiously.</p> |
| <p>(j) Details of 721 motorcycles registered in the name of Secretary of Ministry or Director General of Health Services had not been entered into the Register of Assets of the Ministry.</p> | <p>-do-</p> | <p>These information should be submitted to the audit expeditiously.</p> |
| <p>(k) The number of motorcycles included in the Register of Asset was 891 and out of these, the issuance of 840 motorcycles had not been done through an Issuing Order.</p> | <p>-do-</p> | <p>These information should be promptly submitted to the audit and steps should be taken to strengthen the existing internal control system regarding the motorcycles owned by the Ministry.</p> |

3.7 Management Weaknesses

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>(a) Actions should be taken to keep records of arrivals and departures of the officers by using finger scanner machines in all government institutions in terms of the Public Administration Circular No. 03/2017 dated 19 April 2017 and if the finger scanner machines are not operational from 01 July 2017 to prove the arrivals and departures of the health staff, it should be ensured that overtime allowances are not paid as per the current salary according to the letter issued by the Secretary of the Treasury No. DMS/0016 dated 12 May 2017 to the Secretary of the Ministry of Health. However, the 213 fingerprint machines installed by the Ministry for the Ministry, hospitals and institutions belonging to it at a cost of Rs. 31.08 million had remained unused and idle and based on current salaries, a total of Rs.79,547.79 million as Rs.43,356.02 million for salaries and Rs.36,191.77 million for overtime and holiday pay had been paid in the year under review. Likewise, the total amount spent on overtime and holiday pay was about 72 per cent of the salary expenses.</p>	<p>Although the necessary arrangements had been made to implement the circular instructions, it could not yet been implemented, due to trade union protests existed, the instructions have already been given for proper maintenance of daily arrival and departure records under the supervision of Heads of Divisions and actions will be taken to provide instructions by drawing attention of all Divisional Heads again about that as per the audit observations.</p>	<p>Arrangements should be made to maintain records relating to arrival and departure of officers as per circular provisions, to maintain necessary internal controls in respect of payment of extra duty allowances of officers in accordance with that.</p>

- (b) A doctor who had been selected for a scholarship/ course for a period of 02 years from 29 January 2003, had reported for the duty again on 28 February 2005. He had taken 52 days paid leave from 30 May 2005 and went abroad on a personal tour. Despite the mandatory service period had not been completed one year no pay leave had been approved by the Ministry from 08 May 2006 for him to engage in foreign employment outside the island. Although the information that he had worked after the year 2007 was not included in the personal file, despite about 15 years had elapsed by the time of audit in November 2022, it had not been considered that the officer had left the service and had not taken actions according to the signed agreement as well.
- The relevant Divisions have been informed to conduct an investigation against this officer and the progress will be reported after the investigations are completed.
- Disciplinary actions should be taken against the responsible parties by conducting a formal independent investigation in this regard.
- (c) Leave had been approved for a Research Officer of the Medical Research Institute up to 26 September 2020 to read for Ph.D. Although she had to report back to duty on 27 September 2020, the officer had not reported to duty even by 20 June 2022, the date of the audit. The Notice of Vacation from Post was issued on 22 December 2021, about 15 months after the officer left the service. Likewise, the breach of security amounting to Rs.1.14 million and the overpaid amount of Rs.7,186 as salary and allowances had not been recovered from the officer even by 30 June 2022 .
- There has been a delay in issuing the Notice of Vacation from Post to the female officer on the delays in correspondence due to the Covid 19 epidemic situation, actions have been taken for the recovery of the relevant penalty amount in 30 installments under Finance Regulation 119 on the request of the female officer and the Director of Medical Research Institute has been informed to make arrangements for the recovery of overpaid wages and allowances for 04 days.
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(d) The following matters were observed during the audit conducted on the functions and progress of the Investigation Division of the Ministry of Health.

(i) The Flying Squad Division of the Ministry of Health had forwarded 364 preliminary inspection reports to the Investigation Division for investigation in the year 2021 as per the information submitted to the audit and the No. of pending investigations as at 01 January 2021 was 659 had increased up to 900 as at 31 December 2021 .

There are 22 files completed in the year 2022 and as the number of files applicable as at 31 December 2021 has not been added to it, the total number of investigations should be revised to 922.

A suitable system should be developed and implemented for the prompt completion of these investigations.

(ii) In considering the date of commencement and completion of investigations there were 87 investigations that took 12 months to 132 months to complete an investigation.

Due to various factors such as the delay in exchange of letters with the institutions which holds disciplinary authority and the inability to conduct investigations on time due to the Covid epidemic, the relevant disciplinary actions had delayed and the further actions will be taken to reduce the delay in related disciplinary proceedings.

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(iii) Even though it had elapsed a period of time from 12 months to 180 months after the Investigation commenced, the number of investigations that had not been completed even by 18 July 2022 was 182 .

Of that, 38 files have been completed so far, it has been suggested to issue an internal circular to the hospitals because of the implementation of disciplinary orders by hospitals is delayed and in addition to requesting information from the court for files that have not received a court decision; actions are being taken to receive court records from

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respective Police Stations.

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| <p>(iv) Out of the 364 investigations started in 2021, there were 84 investigations that were not completed as per the information submitted to the audit and it had not clearly been stated whether 268 investigations were completed or not.</p> | <p>Actions have been taken to complete 44 files so far and arrangements are being made to complete other files promptly.</p> | <p>-do-</p> |
| <p>(e) The following matters were observed during the audit conducted on the functions and progress of the Legal Division of the Ministry of Health.</p> | | |
| <p>(i) There were 106 cases which were not fully closed at the beginning of the year 2021 as per the information submitted to the audit and 39 new cases had been filed In the year 2021. Even though 27 cases out of these had been closed in the year 2021, there were 118 pending cases by the end of the year. Out of this, 106 cases equal to 90 per cent of the total number of cases were filed against the Ministry.</p> | <p>The answers will be provided by the audit query consisting of these facts.</p> | <p>Actions should be taken to examine the functioning of the Legal Division of the Ministry and to streamline the functioning of the Division.</p> |
| <p>(ii) In checking information on cases related to Ministry of Health, there were 08 cases which were not closed and remained more than 10 years such as 02 cases filed by hospitals and institutions under the Ministry against the external parties amounted to Rs. 415,588 and 06 cases filed against the Ministry amounting to Rs.32.75 million.</p> | <p>-do-</p> | <p>-do-</p> |

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| <p>(iii) It was observed that a number of cases had been filed against the judgements related to procurements executed by the Ministry as per the information submit to audit. It was observed that most of the filed cases were done by the contractors who were carrying out the relevant works at that time. The requirement to close these cases promptly with the consultation of Legal Division of the Ministry and the Attorney General's Department was observed and otherwise, it was observed that it will adversely affect the intended objectives the procurement process.</p> | <p>-do-</p> | <p>As it is observed that the contractors have strategically filed cases in this manner to extend the contract period, actions should be taken to implement procurement decisions in the absence of prohibitory orders by the court.</p> |
| <p>(iv) It had been informed to audit in several times that the relevant information had been forwarded to the Legal Division to arrange for the collection of money owed to the government from the officers who had breached the agreements and it was expressed that when this matter was discussed in the Ministry Audit and Management Committee meetings, the information was forwarded to the Legal Division for related charges. But, according to the information submitted to the audit, the cases filed to recover the money owed to the government from the officers who had breached the agreements were not included.</p> | <p>It has been directed to the Attorney General's Department for filing cases against those who do not respond to the Letter of Demand sent by the Ministry and that the list of relevant documents has been submitted to the Audit Division before this and as the actions were taken to avoid file the case through completion of payment processing in response to the Letter of Demand and agreeing to make payments in several installments, there has not been an opportunity to litigate in that regard so far.</p> | <p>A full report on all cases sent to the Legal Division should be forwarded to audit.</p> |
| <p>(f) The 432 trainees enrolled in 23 training schools between 01 January 2018 and 15 August 2022 had left the training without completing the</p> | <p>The recovery process is in progress.</p> | <p>A full report on all monies receivable to the government and the progress of</p> |

training as scheduled as per the information submitted to the audit and only the value of the guarantees to be recovered from them was about Rs. 115.85 million.

recovery should be submitted to audit.

- (g) It had been mentioned that the value to be recovered from seven hundred and two (702) nursing students who had breached the contractual security is Rs. 225.38 million and out of which, a sum of Rs. 25.92 million had been charged by 30 June 2021 as per the information submitted to the audit. Information on current progress was not submitted to the audit in respect of written evidence confirming these charges and Rs. 199.46 million further stated to be recovered. Similarly, details of fees to be charged from the remaining 159 students appearing in the audit query were not submitted to audit.
- Because this situation has arisen due to lack of proper coordination between the responsible Divisions in this regard, the relevant Divisions have been made aware and the relevant officers have also been informed that to provide a report including the progress of the decisions taken by the Committee appointed in this regard and the measures taken accordingly will be submitted promptly.
- Actions should be taken to investigate this and to collect all the money to be received to the government and to take disciplinary actions against the officials who have neglected their responsibilities.
- (h) Although it has been stated that the copies of the resignation letters issued to 71 doctors who had left the service from October 2015 to December 2022 in relation to the medical personnel maintained by the Tertiary Care Services Division of the Ministry have been forwarded to the Auditor General, it was observed that none of these letters had been received for audit.
- The copies of resignation letters issued to medical officers who had left the service from 2015 to 2022 have now been handed over to the Ministry of Health's Government Audit Sub-Office.
- It should investigate this matter and disciplinary actions should be taken regarding the responsible parties.
- (i) It was observed that the visit of medical/marketing sales representatives and trade promotion activities to the Colombo National Hospital in contrary to the dates and deadlines allowed by the General Circular No. 02-158/2007-03 issued
- Instructions were given to the relevant divisions and security agencies as per the General Circular No. 02-158/ 2007-03 issued by the Ministry of Health dated 13.06.2012 to restrict visits of medical/marketing
- A minimum programme should be prepared by the hospital and implemented promptly as it will be done as per the circular on

by the Ministry of Health on 13 June 2012 and the other arrangements mentioned in the circular are not implemented by the hospital authorities.

agents to the hospital as indicated in the audit.

promotion activities carried out by medical/marketing agents within the hospital.

(j) Eleven medical officers who have been transferred according to the transfer orders given in relation to the years from 2015 to 2019 but were attached to Lady Ridgeway Children's Hospital (Teaching) for a long time had been released from Lady Ridgeway Children's Hospital in January and February 2022 . The following observations are made during the audit conducted in this regard.

(i) Nine medical officers had been transferred to Colombo National Hospital and The Soyza Women's Hospital (Teaching) as per transfer orders from 2015 to 2018 and had been re-assigned to Lady of Ridgeway Children's Hospital. Although those 09 medical officers had been released from the hospital in January and February 2022, they had not reported to work in the respective hospitals.

The transfers of medical officers are being done by a Transfer Board and making decisions regarding medical officers who have been re-assigned after being released on service requirement is also done by the Board. As they seek the approval of the Director General of Health Services to extend their re-assignment, actions cannot be taken against those medical officers.

It should carry out a formal examination and necessary actions should be taken.

(ii) Another medical officer who had worked at Lady Ridgeway Children's Hospital was transferred to Colombo National Hospital in 2019 and had been released from the service of the hospital on 23 January 2022. This doctor had not reported to the Colombo National Hospital even after his release from service.

Since the letter dated 13.01.2022 from the Director of Lady Ridgeway Children's Hospital is not prepared by HRMIS system, it cannot be considered as a release and, as the salaries of the re-assigned medical officers have been informed to continue from 01.01.2022 until further notice and till receipt of transfer orders of Grade Medical

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Officers 2022 as per the short message given by the Ministry on 06.04.2022 and by the letter dated 05.04.2022, actions have been taken as per these letters.

(iii) A sum of Rs.7.95 million and Rs.938,437 had been paid for salaries and allowances (excluding overtime allowances) respectively for 09 medical officers from the date of release from their service up to August 2022 by wrongly using the Ministry of Health's letter No. MA/MS/B/03/2019/A dated 05 April 2022 regarding the salary payments of re-assigned medical officers.

All re-assigned medical officers have been informed by the letter No. MA/MS/B/03/2019(A) dated 30.03.2021 to pay their salaries, as it has been informed to pay the salaries for re-assigned medical officers from 01.10.2021 to 31.12.2021 by letter No. LRH/EA/06/2021 dated 10.11.2021 from the Director of Lady Ridgeway Children's Hospital, the salaries were paid.

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(iv) A sum of Rs. 5.72 million had been paid as overtime and holiday pay to the 11 medical officers who had released from the service of Lady Ridgeway Children's Hospital from the date of service from release up to June 2022 by including names in the duty list of doctors prepared monthly by each division of the hospital without assigning of duties by the said hospital authorities.

Regarding this matter, it has been informed by the letter dated 23.11.2022 of the Director General of Health Services to take further actions considering that these officers worked in this hospital during the period under review, the reason of these 11 officers were not reporting to their new workplaces is because of a union action, during that period, they have been on additional duty in the wards /units of the Lady Ridgeway Children's Hospital with the approval of the specialist doctors in charge of the said wards /units, the relevant specialist doctors have confirmed this in their diaries, the Secretary of Health has placed a note in the letter and ordered to pay their additional duty allowances if they have done so.

It should carry out a formal examination and necessary actions should be taken.

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| <p>(v) Without being implemented the transfer orders given from 2015 to 2019, a number of 09 officers of the 11 doctors who have been working at Lady Ridgeway Children's Hospital for a long time had been transferred to the same hospital under annual transfers 2022 once again.</p> | <p>-do-</p> | <p>It should carry out a formal examination and necessary actions should be taken and, in implementing the policy of transferring of service of doctors, the service period to be re-assigned should also be taken into consideration in the manner of avoiding the possibility of working in the same workplace for a long time.</p> |
| <p>(k) A part of the hospital administration building had been given without an agreement since 2006 for a Bank of Ceylon branch within the Kegalle General Hospital premises and although an assessment rent was charged for the same from January 2020 actions had not been taken to determine the amount of lease rent due for the period of 13 years from the year 2007 to the year 2019 and to recover the arrears.</p> | <p>The Bank of Ceylon provincial office was informed to collect the arrears of lease rent and since it has been informed that it is not possible to pay the arrears of lease rent, actions are being taken to obtain an assessment report related to the recovery of rent arrears for 13 years from the year 2007 to the year 2019 .</p> | <p>The arrears of lease rent from the year 2007 should be charged and confirmed to audit.</p> |
| <p>(l) Due to the fact that the Medical Supplies Division did not provide the necessary chemicals (developer, fixer) for the use of the X-Ray machine at the Gampola Base Hospital used for dental radiography tests to the hospital, it had been impossible to use the machine after 31 October 2020 . as a result, nearly 250 patients a year could not get these test reports.</p> | <p>Although almost every year the developer fixer required for dental x-ray examinations has been included in the Annual Estimates and submitted to the Medical Supplies Division, due to the non-issue of those items from the Medical Supplies Division, a situation has arisen where it is impossible to carry out dental radiological examinations.</p> | <p>The Medical Supplies Division should work to prevent such situations.</p> |

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| <p>(m) Two compressed air machines and 3 vacuum machines that supply medical gas to the Peradeniya Teaching Hospital had dormant. An agreement of Rs.1,118,964 had been entered into with a private agency for the servicing of these machines and pipelines with effect from 18 August 2022 to 17 August 2023, actions had not been taken to repair of those machines even by 31 January 2023.</p> | <p>Even though there is a contract with the private company that performs the service and maintenance of those machines and pipe system, due to the provision for capital expenditure in the year 2022 and insufficient imprests, it was not possible to carry out those services and one machine is currently operational and actions will be taken to repair other machines as soon as provision is made.</p> | <p>-do-</p> |
| <p>(n) Since the incinerator built in Chilaw District General Hospital in February 2021 burns the entire amount of hospital waste, the Metamizer machine which was provided to Chilaw General Hospital by the Ministry of Health on 16 June 2017 valued at about US dollars 701,335.83 had remained in idle.</p> | <p>Actions are being taken to send the Metamizer machine to Ratnapura Hospital and the Chilaw Hospital did not make any payment for this.</p> | <p>Information on what action will be taken regarding the machine installed in Ratnapura Teaching Hospital and the progress the progress of installation of machine of Chilaw District General Hospital in Ratnapura Teaching Hospital should be submitted to the audit.</p> |

4. Achieving Sustainable Development Goals

4.1 Progress in Achieving the Sustainable Development Goals

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<p>Thirty one sustainable development indicators had been identified in relation to the Ministry of Health and, 13 indicators out of that had not reported progress for the year under review. The indicator</p>	<p>The performance levels of the objectives and targeted goals which were desired to be achieved by many indicators are at a higher level. However, instructions</p>	<p>Arrangements should be made to achieve desired goals by 2030 by carrying out follow up procedures</p>

numbers which were reported the progress in 3.1.1, 3.2.1, 3.2.2, 3.3.2, 3.3.5.1, 3.3.5.2, 3.3.5.3, 3.3.5.4, 3.8.1.6, 3.8.1.9, 3.8.1.10 and 3.a.1 had not achieved the required level of performance.

have been given to the annually. officers responsible for each indicator to take the necessary steps to achieve the desired goals and targets from the 13 indicators given here and that the constant monitoring thereon is being carried out.

5. Human Resources Management

5.1 Approved Staff, Actual Staff and Expenditure for Personal Emoluments

The following observations are made in this regard.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<p>(a) There were 1,586 vacancies pertaining to 39 senior executive level posts and 11 excesses pertaining to 03 posts, 405 vacancies pertaining to 61 tertiary level posts, 01 excess pertaining to one post, 5,565 vacancies pertaining to 83 secondary level posts and 597 excesses pertaining to 37 posts, 8,626 vacancies pertaining to 46 primary level posts and 2,370 excesses pertaining to 20 posts. Within those vacancies, there were 1,331 medical officers, 77 dental surgeons, 1,759 nurses, 275 nurses, 136 medical laboratory technicians, 68 occupational therapists, 126 pharmacists, 270 radiologists, 37 public health inspectors, 451 family health service</p>	<p>A large staff consisting of senior executive level, tertiary level, secondary level, primary level and other types of employees belonging to the all-island service, combined service and departmental services are working in the Ministry of Health and the hospitals and institutions under it, out of which each service annually being vacant in many positions due to staff leaving from active service for various reasons, although such vacancies need to be filled promptly; there will be delays due to the complexity of the process to be followed. However, the respective parties have been instructed to follow the measures such as filling vacancies promptly, making arrangements to get approved the</p>	<p>In order to carry out the work efficiently, the essential posts should be filled</p>

officers and 2,268 attendants vacancies among the positions that are essential in running the health sector.

positions which were not approved, making arrangements to increase the approved number of staff, not assigning excess staff to workplaces exceeding the approved number of posts, if so assigned, making arrangements to get approved those positions, if the staff are deployed to a workplace without obtaining approval of the posts; taking actions to get approved those posts, instructions have been given to the related parties to take measures such as getting the posts approved by considering the excesses and vacancies during the annual transfer and assigning the staff. However, as a result of the current financial crisis existing in the country, the recruitment to the posts had been restricted.

- (b) As per the information presented to audit, there was an excess of 03 specialist surgeons in 02 hospitals while there was a shortage of 12 specialist surgeons in 15 hospitals, an excess of 20 specialist dental surgeons in 13 hospitals while there was a shortage of 97 specialist dental surgeons in 24 hospitals, an excess of 05 medical administrators (senior grade) officers are redundant in 5 hospitals and institutions while there was a shortage of 43 medical administrators (senior grade) officers in 40 hospitals and institutions, an excess of

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146 specialists in 23 hospitals while there is a shortage of 156 specialists in 38 hospitals, an excess of 282 medical officers in 21 hospitals and institutions while there is a shortage of 1613 medical officers in 89 hospitals and institutions as at 31 December 2022. In this, 20 specialist doctors in Lady Ridgeway Children's Hospital, 15 in Kandy National Hospital, 14 in Colombo National Hospital and 16 in Kurunegala Teaching Hospital had been employed and despite there were no approved positions for the Ministry of Health, 18 had been employed in excess. Likewise, 61 medical officers had been employed in excess of the approved number of medical officers for the Ministry of Health.

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| (c) | The entire number of posts of 03 senior biomedical engineer, 02 molecular biologist and 04 procurement specialists had been in vacant and the approved number of biomedical engineer posts was 28 and 13 out of them and, 21 out of 59 physicist posts and 20 out of 29 research officer posts had also been vacant. | -do- | -do- |
| (d) | The entire 07 number of approved psychologist posts had been vacant and in this, it is also special that all the 04 approved positions for Angoda National Institute of Mental Health were vacant. Similarly, | -do- | -do- |

13 out of 15 Orthopedic Technician approved posts were vacant and out of that, all the 9 posts approved to Ragama Rehabilitation Hospital had been vacant.

- (e) The Department of Management Services had given approval on 07 November 2017 to the Ministry for one post in the special grade of the Sri Lanka Planning Service named Director General (Planning). Nevertheless, actions had not been taken to fill the post even by 25 March 2023 .
- Many activities related to the Planning Division of this Ministry are the functions related to the Health Sector and that the activities related to that are being done by the medical officers. Therefore, although a post of Director General (Planning) had been approved, as it is observed that there is no need for such post, actions have not been taken to appoint an officer for that post.
- Arrangements should be made to fill up essential vacancies to run the affairs efficiently.
- (f) Out of 53 institutions submitted for audit, 564 annual transfer orders given to doctors working in 28 hospitals and institutions from 2015 to 2020 had not been implemented even by 31 December 2021. Likewise, 57 annual transfer orders were given to officers belonging to the services of nurse officer, pharmacist and medical laboratory technician working in 6 hospitals during the period from 2017 to 2020 had not been implemented even by 01 January 2021 .
- Implementation of the annual transfer orders of specialists doctors, other doctors and officers of other services employed in hospitals and other health institutions under the Ministry are being carried out, other transfers are being implemented except on certain specific issues and the instructions have been given to relevant officers to draw special attention to the transfers that were not implemented in the in the execution of future annual transfers.
- As the annual transfer orders are issued following a formal process, all these transfer orders should be implemented.
- (g) It was observed that 05 officers belonging to the Sri Lanka Administrative Service have been working in the Ministry for a period of 06 to 15 years.
- The information of officers who have been working in the same workplace for 06 years or more has been submitted to the Secretary of the Ministry of Public Administration, Home
- Information about officers who have completed 6 years of service should be sent to the relevant authorities and it

Affairs, Provincial Councils and Local Government.

should investigate and take disciplinary actions in respect of failure of submission the transfer letter to include in the personal file and staying without getting the transfer order cancelled.

(h) It was observed that 08 officers of Sri Lanka Engineering Service have been working in the Ministry for a period of 06 to 23 years without being transferred.

The information related to these officers has been forwarded to the Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government on 03.12.2022 .

Actions should be taken to send the information related to these officials to the respective authorities and to transfer.