

Head 111 - Ministry of Health - 2024

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 2024 comprising the statement of financial position as at 31 December 2024 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 Chief Accounting Officer on 29 May 2025 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 18 June 2025 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 2024 and its financial performance and cash flows and on all the materialities in accordance with the basis of preparation of the financial statements set out in Page No. 6 related to the financial statements.

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 Emphasis of Matter – Basis for preparing Financial Statements

The attention is drawn to the Page 06 related to the Financial Statements which describes the basis of preparing these financial statements. The financial statements have been prepared as per the Financial Regulation 150, 151 and the State Accounts Guideline No. 06/2024 dated 16 December 2024 amended on 21 February 2025 for the requirement of the Ministry of Health, General Treasury and the Parliament. Consequently, these financial statements may not be suitable for other objectives. My report is only for the use of the Ministry of Health, General Treasury and the Parliament of Sri Lanka. My opinion on this matter is not modified.

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

The Chief Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the Financial Regulation 150, 151 and the State Accounts Guideline No. 06/2024 dated 16 December 2024 amended on 21 February 2025 and for such internal control as Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Sub-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.

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

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

1.6 Comments on the Financial Statements

1.6.1 Accounting Deficiencies

(a) Property, Plant and Equipment

	Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i)	During the year 2018, the expenditure on non-financial assets had been understated by Rs.46,940.73 million, and out of that amount, Rs.7,102.99 million was reported in 2019 as acquisitions of new lands.	Comparison activities are being carried out.	The financial statements for the year 2025 should be prepared and submitted by correcting errors.
(ii)	Due to the understatement of capital asset acquisitions by Rs. 14,793.13 million in 2018, the value of capital assets as at 31 December 2019 had also been understated by the same amount.	Of the assets generated through certain long-term projects, assets valued at approximately Rs.14,676.29 million had been capitalized as of 31 December 2024. In addition, identification of assets generated through other institution heads except for the Ministry's head is ongoing.	-Do-
(iii)	As per the Treasury Accounts statements, the expenditure of Rs. 6,501.94 million on buildings and constructions acquired in 2019 had not been included in the statement of non-financial assets, and due to the overstatement of Rs.2,967.27 million in respect of assets acquired during the year in the accounts, the value of non-financial assets was overstated by that amount as at 31 December 2019.	Comparison procedures are currently being carried out to make corrections.	-Do-
(iv)	According to the SA 80 monthly summary of non-financial assets accounts and the SA 82 accumulated non-financial assets accounts report maintained by the Treasury, the reasons for the difference of Rs.19,789.44 million in the expenditure on non-financial assets as at 31 December 2020 had not been ascertained, nor had the necessary adjustments been made.	Of the assets generated through certain long-term projects, assets valued at approximately Rs.14,676.29 million had been capitalized as of 31 December 2024. In addition, identification of assets generated through other institution heads except for the Ministry's head is ongoing.	The financial statements for the year 2025 should be prepared and submitted by correcting errors after ascertaining reasons for the differences.

(v)	According to the Statement of Financial Position as at 31 December 2021, the value of property, plant, and equipment as at 01 January 2021 amounted to Rs. 192,229.15 million. Nevertheless, according to the Non-Financial Assets Accounts Monthly Summary (SA 80) and the Accumulated Non-Financial Assets Accounts Report (SA 82) maintained by the Treasury, the respective values stood at Rs.172,439.71 million and Rs. 184,327.77 million. Accordingly, the reasons for the differences amounting to Rs. 19,789.44 million and Rs. 7,901.38 million had not been disclosed.	-Do-	-Do-
(vi)	According to the Statement of Expenditure for the year 2021 prepared in terms of Programmes (Form ACA 2(i)) and the Monthly Expenditure Summary (SA 10) maintained by the Treasury, compared with the Accumulated Non-Financial Assets Accounts Report (SA 82) maintained by the Treasury, a difference of Rs. 16,877.89 million was observed in the acquisition of capital assets during the year under review. Nevertheless, reasons for the differences had not been disclosed.	-Do-	-Do-
(vii)	Although it was confirmed that, during the year 2020, the Ministry and its affiliated hospitals and other divisions had received goods, equipment, and medical supplies amounting to Rs. 1,339.25 million, together with 2,444 units of goods and equipment of unascertained value, as non-financial assistance or donations from various local and foreign institutions, organizations, and individuals, such values had not been not been included in the financial statements.	Through a letter signed by the Chief Financial Officer III, the Ministry of Health and the hospitals and institutions under it have been informed that assets transferred from other institutions under the “Transfer In” category must be entered into the Assets Module of the New-CIGAS system. Currently, continuous directions and oversight measures are in place to carry out these accounting entries.	All unaccounted assets should be identified, brought to account, and the financial statements for the year 2025 should be prepared and submitted accordingly.
(viii)	The expenses relating to the acquisition and development of non-financial assets, included in the expenditure amounting to Rs. 7,603.09 million incurred under 54 foreign-funded projects implemented by the Ministry during	Certain projects have not resulted in the generation of fixed assets, while many of the fixed assets produced by certain projects have been transferred to	Written evidence confirming that all non-financial assets acquired under the projects have been

the period from 2010 to 2020, had not been accounted for under non-financial assets.

hospitals and institutions outside the control of the central government, and some of the assets provided to the Ministry of Health and its subordinate hospitals and institutions have been recorded in the Assets Module of the New-CIGAS system under the "Transfer In" category.

recorded as non-financial assets either by the Ministry or by the institutions that received them should be promptly submitted to the Audit.

(ix) According to the Statement of Financial Position as at 31 December 2021, and the Treasury Accumulated Non-Financial Assets Accounts Report (SA 82), a difference of Rs.5,244.56 million was observed between the value of non-financial assets as at that date and the value reported in the Treasury Accumulated Non-Financial Assets Accounts Report (SA 82) as at 01 January 2022. The reason for this difference was not clarified during the audit.

Due to a system malfunction during the compilation of data received from the relevant institutions and hospitals into a single file, the true values were not recorded. Steps are being taken, in coordination with the Department of State Accounts, to correct this situation.

The reasons for the discrepancies should be identified, necessary adjustments made, and accurate financial statements for the year 2025 should be prepared and submitted accordingly.

(x) According to the Statement of Expenditure in terms of programmes for the year 2022 (Form ACA 2(i)) and the Treasury Printouts (SA 10), a difference of Rs. 11,423.16 million was noted between the capital asset acquisitions during 2022 and that values shown in the Treasury Accumulated Non-Financial Assets Accounts Report (SA 82).

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(xi) The COVID-19 Emergency Response and Health Systems Preparedness Project had procured non-financial assets amounting to Rs.6,326.05 million by 31 December 2022. However, the cost of these assets had not been accounted for under the non-financial assets of the Ministry.

The details of the capitalized values for 2023 and 2024 were reported to the Audit on 26 June 2024.

Written evidence confirming that all assets acquired under the project have been accounted for should be promptly submitted to the Audit.

(xii)	According to the computerized soft copies submitted to the audit by the Ministry of Health and its 59 institutions, containing information on non-financial assets as at 31 December 2022, it was observed that the lands of 25 hospitals/institutions and the buildings of 05 hospitals/institutions had not been valued and accounted for.	Progress was presented as of 31 December 2024.	Immediate action should be taken to assess and account for these assets.
(xiii)	The cost of two vehicles transferred to the Sri Lanka Police Department and the Ministry of Tourism and Civil Aviation, amounting to Rs. 11.55 million, had been included in the financial statements of the Ministry of Health as at 31 December 2022.	The Police Headquarters has been informed to enter the vehicle transferred to the ownership of the Sri Lanka Police Department into the CIGAS accounting system and send a printed copy, and that a vehicle valued at Rs. 6,850,000 belonging to the Ministry of Tourism and Civil Aviation has been removed from the New CIGAS system.	Errors must be rectified and confirmed to the Audit.
(xiv)	Certain institutions had not submitted the information requested by the audit. Goods valued at Rs. 2.66 million relating to the years 2017, 2018, and 2019, pertaining to 11 hospitals, other health institutions, training institutions, and divisions under the Ministry, as well as items for which the expenditure relating to the Badulla Provincial General Hospital had not been indicated, had been written off from the stock books. However, it had not been confirmed to the audit whether the cost of these disposed goods had also been removed from the non-financial assets reported in the Ministry's financial statements. Moreover, instances were observed where disposal activities in some hospitals had not been completed, where disposal processes assigned to disposal boards had not been finalized, and where shortcomings related to annual board of survey reports had not been dealt with in accordance with Financial Regulation 757(2).	The cost of the items disposed of in 2020 could not be recorded due to a mistake, with their value totaling Rs. 79,800. The cost of these disposed items have not been incorporated into the Ministry's non-financial assets. While items purchased from 2015 have been entered into the CIGAS system, the disposed items in question were acquired before 2015.	All requested information should be provided by the respective institutions, and accurate adjustments of the disposed assets must be made in the financial statements. Furthermore, after receiving the Board of Survey reports, any discrepancies, shortages, or losses should be dealt with as per the Financial Regulation 757(2).

(xv)	Audit evidence was not made available to confirm that goods valued at Rs. 2,588.30 million, received during the years 2020 and 2021 by 31 institutions/hospitals and divisions, together with 2,057 items of goods received by 30 institutions/hospitals and divisions without details of their value, had been properly recorded and included in the Ministry's financial statements.	The Ministry of Health and the hospitals and institutions under it have been informed, through a letter issued and signed by the Chief Financial Officer III, that assets transferred from other institutions must be entered into the Assets Module of the New-CIGAS system under "Transfer In."	All donations must be accounted for in the prescribed manner.
(xvi)	According to the Statement of Financial Position prepared as at 31 December 2023, the value of property, plant, and equipment as at 01 January 2023 amounted to Rs. 195,221.42 million. However, the opening balance shown in the Treasury Printouts, Monthly Summary of Non-Financial Assets Accounts (SA 80) as at 01 January 2023 was Rs. 200,118.27 million.	This situation has arisen due to a fault in the New-CIGAS system, and action has been taken to rectify the error.	Action should be taken to identify the causes of the discrepancies and make the necessary adjustments accordingly.
(xvii)	According to the Treasury Accumulated Non-Financial Assets Accounts Report (SA 82) for the year 2022, the value of non-financial assets as at 31 December 2022 amounted to Rs. 200,118.27 million, whereas in the same report prepared for the year 2023, the value of non-financial assets as at 01 January 2023 was Rs.195,221.42 million. Accordingly, a difference of Rs. 4,896.85 million was observed, for which reasons were not clarified.	Such situations arise due to technical errors when integrating information from 61 New-CIGAS systems; however, the identified errors are corrected in the year following the relevant year. Even though corrections are made, the system cannot amend the final reports previously issued relating to the older years.	-Do-
(xviii)	According to the Statement of Expenditure (Form ACA 2(i)) and the Treasury-printouts SA 10 in terms of programmes of the year 2023, the expenditure on acquisition of capital assets amounted to Rs.11,605.50 million. However, as per the Treasury Accumulated Non-Financial Assets Accounts Report (SA 82), the acquisition of assets during the year under review was shown as Rs. 3,698.37 million, thereby understating the asset expenditure by Rs.7,907.13 million.	-Do-	-Do-

(xix) As per the Ministry's financial statements, the value of non-financial assets as at 31 December 2023 was Rs. 204,292.96 million. Yet, according to the computer-generated soft copies submitted to the audit by the Ministry of Health and 63 affiliated institutions regarding the non-financial assets as at 31 December 2023, the value of such assets was shown as Rs.215,870.86 million, resulting in a difference of Rs. 11,577.90 million.	-Do-	-Do-
(xx) Although a Kidney Treatment Unit within the Peradeniya Hospital premises and a three-storied surgical ward complex under the provisions of the University of Peradeniya had been constructed after the year 2018, the value of these buildings had not been identified and brought to account.	According to the decision of the Department of Valuation and State Accounts, it has become necessary to remain in the waiting list until the commencement of the second round of valuations. However, the necessary preliminary arrangements for these building valuations are being carried out.	Action should be taken to value and account for the assets.
(xxi) According to the Accumulated Non-Financial Assets Accounts Report (SA 82) as at 31 December 2023 and the Statement of Financial Position of the year under review, the value of the opening balance of non-financial assets was Rs.204,292.96 million. However, as per the Accumulated Non-Financial Assets Accounts Report (SA 82) for the year 2024, that value as at 01 January 2024 amounted to Rs. 263,472.20 million. Accordingly, a difference of Rs.59,179.24 million was observed, and the reason for this difference was not clarified during the audit.	This situation has arisen due to an unidentified system error, and since the information relating to the final accounts of the year 2023 had not been properly updated, the balances as at 31 December 2023 were inaccurate. Nevertheless, as the balances as at 01 January 2024 are prepared based on the information submitted for 31 December 2024, a mismatch has occurred between the balances as at 31 December 2023 and those of 01 January 2024.	Financial Statements for the year 2025 should be prepared and submitted after identifying the reasons for discrepancies and making the necessary adjustments.
(xxii) According to the computer-generated soft copies relating to the non-financial assets of the Ministry and its affiliated institutions as at 31 December 2023, non-financial assets valued at Rs.1,857.48 million pertaining to three projects had not been included as the opening balance in the soft copies for the year 2024.	This situation has arisen due to the absence of an officer responsible for referring existing assets in the New-Cigas system, which operates after the winding up of projects, to the final accounts of the following year.	Financial Statements for the year 2025 should be prepared and submitted after correcting the errors.

(xxiii) In terms of the Treasury printouts SA 10 for the year 2024, the expenditure incurred for the acquisition of capital assets during the year amounted to Rs. 15,723.34 million. However, as per the Treasury Accumulated Non-Financial Assets Accounts Report (SA 82), the purchase of assets for the year under review were recorded as Rs. 10,713.70 million, thereby understating the expenditure on assets by Rs.5,009.64 million.	It has been identified that, in particular, issues exist in accounting for non-financial assets generated through projects until the completion of such projects, in accounting for expenditures borne by external institutions on behalf of the Ministry of Health, and in accounting for changes in exchange rates. These matters are being discussed with the Department of State Accounts in order to make the necessary corrections.	Financial statements for the year 2025 should be correctly prepared and submitted after identifying the reasons for discrepancies and making the necessary adjustments.
(xxiv) According to the financial statements of the Ministry, the value of non-financial assets as at 31 December 2024 was Rs. 254,485.18 million. However, according to the computer-generated soft copies submitted to the audit showing information on non-financial assets of the Ministry of Health and 61 affiliated institutions as at 31 December 2024, the value of such assets was Rs.243,639.47 million. Accordingly, a difference of Rs.10,845.71 million was observed.	-Do-	-Do-
(xxv) Under provisions of the third additional funding project for COVID-19 emergency response and health system preparedness, 3,764 empty oxygen cylinders, each of 6,800 liters, were purchased and supplied to hospitals in 2022 at a cost of Rs. 173.13 million. However, the value of these assets had not been accounted for under the Ministry's non-financial assets.	The relevant information is being identified, and upon such identification, it will be reviewed and action will be taken in the future to make corrections.	Written evidence confirming that all non-financial assets acquired under the project have been accounted for should be promptly submitted to the audit.
(xxvi) According to the financial statements relating to two projects operating under the Ministry, non-financial assets totaling Rs.46.44 million existed as at 31 December 2024. However, these assets had not been accounted for under the non-financial assets of the Ministry.	It has been identified that, in particular, issues exist in accounting for non-financial assets generated through projects until the completion of such projects, in accounting for expenditures borne by external institutions on behalf of the	-Do-

	Ministry of Health, and in accounting for changes in exchange rates. These matters are being discussed with the Department of State Accounts in order to make the necessary corrections.		
(xxvii)	Although the Nawalapitiya District General Hospital was taken over by the central government in 2023 and all its non-financial assets were required to be recorded, the new CIGAS computer soft copy submitted to the audit shows that only other machinery and equipment worth Rs. 5.17 million had been brought to accounts as non-financial assets.	It has been instructed that the assets purchased during the year be accounted for through the Asset Module, and that the financial value of the non-financial assets purchased in previous years or received as donations be assessed by an Internal Valuation Committee, and thereafter be properly entered such information into the New-Cigas system.	All unrecorded assets should be identified and accounted for, and the financial statements for the year 2025 should be prepared and submitted accordingly.
(xxviii)	In the Accumulated Non-Financial Assets Accounts Report (SA 82) for the year 2024, under the category of transport equipment, ships were recorded at Rs. 1.15 million. Of this amount, only approximately Rs.382,440 was included in the computer-generated soft copy as assets belonging to the Batticaloa Teaching Hospital. The remaining balance of Rs.764,880 could not be verified through the CIGAS soft copy submitted to the audit as to which institution owned these assets.	That information has been requested.	After identifying the assets, written evidence confirming them should be promptly submitted to the audit.
(xxix)	According to the computer-generated soft copies submitted to the audit showing information on non-financial assets of the Ministry of Health and 63 affiliated hospitals/institutions as at 31 December 2023, the lands of 27 hospitals/institutions and the buildings of 4 hospitals/institutions had not been valued and brought to account. Similarly, based on the computer-generated soft copies submitted to the audit for 61 hospitals/institutions as at 31 December 2024, the lands of 5 hospitals and the buildings of one hospital had not been valued and brought to account. Furthermore, sufficient evidence to verify the accuracy of the recorded information had not been submitted to the audit.	It has been identified that certain information relating to hospital lands cannot be traced due to unavoidable reasons, and that such information will be referred to the Department of Valuation for completion as soon as such information is identified.	Immediate action should be taken to assess and account for these assets, and written evidence confirming this should be submitted to the audit.

(xxx)	The cost/value of 237 units of 97 types of donated equipment/items that were not properly assessed and received by the Lady Ridgeway Hospital for Children, and 20 units of 7 types of equipment/items, with a total assessed value of Rs. 2,219,825, had not been recorded as non-financial assets.	It has been observed that donations could not be entered into the Cigas accounting system due to the failure to properly assess their value at the time of documenting. However, arrangements will be made to record such donations in the Cigas system upon proper valuation.	The financial statements for the year 2025 should be prepared and presented after valuing and accounting for all unaccounted donations.
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(b) Lack of evidence for audit

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
Detailed schedules, stock verification reports, and information recorded in the CIGAS system relating to non-financial assets valued at Rs. 254,485.18 million, Rs.2.46 million adjusted to the asset balances as at 31 December of the previous year, the acquisitions of assets amounting to Rs. 10,713.70 million recorded during the year under review, and disposals of assets amounting to Rs. 19,703.18 million, could not be satisfactorily verified since the relevant detailed schedules had not been submitted. Further, loan files relating to property/vehicle loans totaling Rs. 12.71 million recoverable from 62 officers who had been transferred, interdicted, vacated posts, or retired were not produced for audit. Moreover, information required to evaluate the performance of the Ministry's vehicle utilization for the years 2021, 2022, and 2023 was not submitted for audit. In addition, as of 11 April 2024, information requested through 36 audit query letters on various matters had either not been submitted or had been submitted incompletely, which prevented proper audit examination of the relevant areas. More than a period of 40 months had exceeded since the issuance of some of these audit query letters. More than 40 months had passed since the issuance of some of these audit query letters.	The fact that instructions had been given to carry out a special internal audit regarding the files related to property and vehicle loans that had not been submitted up to now, that there was a difficulty in obtaining the relevant information as the information pertaining to the years 2021 and 2022 should have been obtained and submitted by all hospital institutions and projects under the Ministry and a considerable period of time had already lapsed, and that necessary action is being taken to promptly provide the information relating to the payment of transport and fuel allowances for the use of personal vehicles for official transport purposes for the years 2021, 2022, and 2023.	The information should be submitted for audit, and action should be taken in accordance with Section 42(a) of the National Audit Act, No. 19 of 2018.

2. Report on Other Legal Requirements

In terms of Section 6(1)(d) of the National Audit Act, No. 19 of 2018, I declare the following:

- (a) The financial statements are consistent with those of the preceding year,
- (b) The following recommendations made by me with regard to the financial statements of the preceding year have not been implemented.

Reference to the Paragraphs of the report related to the preceding year.	Recommendation not implemented	Paragraph reference in this report
1.6.1(a),(b),(c)	The financial statements for the following year should be prepared and submitted by correcting these errors.	1.6.1 (a) (i)(ii)(iii)
1.6.1(d) ,(e),(f)	The reasons for the differences should be identified, necessary adjustments made, and accurate financial statements for the following year prepared and submitted.	1.6.1(a) (iv)(v)(vi)
1.6.1(g)	The financial statements for the next year should be prepared and presented by identifying and recording all assets that have not been accounted for.	1.6.1 (a) (vii)
1.6.1(h)	Documentary evidence verifying that all assets obtained under the projects have been recorded should be immediately presented to the audit.	1.6.1 (a) (viii)
1.6.1(i) ,(j)	The reasons for the differences should be identified, necessary adjustments made, and accurate financial statements for the following year prepared and submitted.	1.6.1(a) (ix)(x)
1.6.1(k)	Documentary evidence verifying that all assets obtained under the projects have been recorded should be immediately presented to the audit.	1.6.1 (a) (xi)
1.6.1(l)	Action should be taken promptly to assess these assets and record them in the accounts.	1.6.1 (a) (xii)
1.6.1(m)	This error should be corrected and confirmed to the audit.	1.6.1 (a) (xiii)
1.6.1(n)	The information requested by the audit must be furnished by all institutions, and accurate adjustments of the disposed assets should be made in the financial statements. Moreover, after receiving the Board of Survey Reports, any variances, deficiencies, or losses should be addressed in line with Financial Regulation 757(2).	1.6.1 (a) (xiv)

1.6.1(o)	Action should be taken to account for all donations in accordance with the prescribed procedure.	1.6.1 (a) (xv)
1.6.1(p),(q),(r), (s)	Action should be taken to ascertain the reasons for the differences and to make the necessary adjustments.	1.6.1 (a) (xvi) (xvii) (xviii) (xix)
1.6.1 (t)	Action should be taken to record in the accounts.	1.6.1 (a) (xx)

3. Financial Review

3.1 Expenditure Management

Audit Observation		Comment of the Chief Accounting Officer	Recommendation
According to the provisions set out in Financial Regulation 50, accurate and realistic estimates had not been prepared, and details are as follows.			
(a)	Total provisions of Rs. 34 million allocated for two recurrent objects in the 2024 Annual Budget Estimates had been transferred to other Objects under Financial Regulations 66 and 69.	The Ministry had included provisions in the 2024 estimates with the expectation of renewing vehicle lease agreements that expired on 31 December 2023. However, in compliance with National Budget Circular No. 01/2024, vehicles were not obtained on a lease basis, and therefore the entire provision remained unutilized.	Correct and realistic estimates should be prepared in accordance with regulations.
(b)	Out of the total provision of Rs.10,115.50 million allocated in the 2024 Annual Budget Estimates for 8 recurrent and 3 capital Objects respectively, between 65 percent and 97 percent had been transferred to other Objects under Financial Regulations 66 and 69.	Further, as the provisions requested through the draft estimates had not been entirely allocated by the Treasury, provisions are required for those Objects. Although supplementary provisions were requested from the General Treasury, it was informed that, due to the prevailing economic crisis, such requirements should be managed within the	-Do-

provisions already allocated to the Line Ministry. Consequently, the provisions for those Objects were transferred to essential items of expenditure through the Financial Regulation 66.

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| <p>(c) Provisions totaling Rs. 2,156.70 million, comprising Rs. 2,132.70 million and Rs. 24 million respectively for 10 recurrent Objects 3 capital Objects as provided in the 2024 Annual Budget Estimates, had been increased through Supplementary Estimates and transfers under Financial Regulation 66 by Rs. 18.995 million and Rs. 8,974.97 million respectively, ranging from 100 percent to 3,557 percent.</p> | <p>Additional provisions were received for the payment of the increased Cost of Living Allowance for the public service according to the 2024 Budget Proposal. However, owing to political changes that occurred, staff changes led to part of this provision remaining unutilized. Since the provisions requested for essential Objects under the draft estimates had not been received, it became necessary to increase allocations. Provisions were also granted through a Supplementary Estimate in Parliament for the accounting of the Japanese fuel aid stock.</p> | <p>-Do-</p> |
| <p>(d) The entire initial provisions totaling Rs.9,385.40 million allocated for 28 Objects, including 7 recurrent and 21 Objects, had remained unutilized.</p> | <p>Provision remained unutilized due to the absence of officers entitled to official uniforms owing to political changes that occurred from time to time, not allocating vehicles for the Minister's office, and as the Indigenous Medicine Division is housed in a building belonging to the Ministry of Health, the expenses for water, electricity, cleaning, and security of that building were borne by this Ministry, and due to the retirement of the Deputy Director General (Family Health).</p> | <p>-Do-</p> |

(e)	Of the initial provisions of Rs. 49,134.28 million allocated for 48 capital Objects and 18 recurrent Objects, Rs. 1,536.81 million was transferred to other Objects. Out of the remaining net provisions of Rs. 47,597.47 million, Rs. 33,271.33 million had not been utilized. These savings represented a percentage ranging from 50 per cent to 99 per cent of the net provisions.	In accordance with National Budget Circular No. 01/2024, guidelines were issued for expenditure management. After insuring all vehicles belonging to the institution, the relevant provision remained unutilized. When preparing the estimates for 2024, there were five officers entitled to transport allowance; however, due to reasons such as the imprisonment of three of those officers under the drug fraud case, the provision remained unused.	-Do-
(f)	Out of the additional provisions of Rs. 344.92 million allocated by Financial Regulation 66 for 9 Objects, comprising 5 recurrent and 4 capital Objects, a sum of Rs. 280.65 million had remained unutilized. The percentage of these savings ranged between 45 per cent and 98 per cent of the additional provisions.	As a result of political changes, the Line Ministries were dissolved, and the provision allocated for the Minister's office was left unutilized. Although allocations had been made under the Object for cleaning services, the bills for cleaning for November and December had not been received as at 31 December 2024, and therefore payments could not be made, thus leaving that provision unutilized.	-Do-

3.2 Incurring Liabilities and Commitments

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) According to the financial statements, liabilities amounting to Rs. 2,616.17 million had been incurred, exceeding the provisions allocated under 34 items of expenditure related to the operational programme by institutions under the Ministry.	The fact that it is practically difficult to pay special attention to the available provisions in the continuous delivery of health services. However, all heads of health institutions have been continuously advised not to incur commitments in excess of the provisions, in accordance with Financial Regulations.	Action should be taken in accordance with the provisions of the Financial Regulations.

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| (b) | Liabilities totaling Rs. 5,469.26 million had been stated in respect of 7 items of expenditure under operational and development programmes, which were either not included in the annual budget estimate or newly created. | The relevant officers have been instructed to take action to prevent the recurrence of such shortcomings in the future. | Commitments and liabilities must be accurately recognized. |
| (c) | According to the financial statements of the Ministry for the year under review, a liability of Rs. 1,096.53 million was shown as payable to the State Pharmaceuticals Corporation, while no liability was recorded in respect of the State Pharmaceuticals Manufacturing Corporation. However, as per the financial statements of those two institutions for the year 2024, amounts receivable from the Ministry were Rs. 38,317.97 million and Rs.1,777.45 million respectively, indicating differences of Rs. 37,221.44 million and Rs.1,777.45 million. | According to the financial statements for the year 2024, inquiries had been made from the Medical Supplies Division regarding the amounts payable by the Division. The Medical Supplies Division is still reconciling the medicines obtained from the State Pharmaceuticals Corporation, and therefore, a definite position on the payable amount cannot be presented until those reconciliations are completed. | -Do- |
| (d) | According to the information made available for audit, a balance of Rs. 346.50 million remained payable by the Bio-Medical Engineering Division for the purchase of bio-medical equipment as at 31 December 2024. However, this amount had not been disclosed as a liability in the Ministry's financial statements as at 31 December 2024. | The responsible officers have been instructed to take measures to prevent the occurrence of deficiencies. | -Do- |

3.3 Certifications to be made by the Chief Accounting Officer

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
Even though the Chief Financing Officer is required to ensure that all audit queries are answered within the prescribed time limits as needed by the Auditor General, the responses to the audit inquiries were not furnished as per paragraph 4.9 of the report.	Clarifications on the audit queries should be sought by referring them to the Ministry and other relevant hospitals and institutions, and a certain time delay occurs when obtaining such replies.	Replies to all audit inquiries should be submitted within the prescribed timeframes.

3.4 Irregular Transactions

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) The Ministry of Health had issued 216,094 units of 65 types of medical supplies and stationery free of charge to Sri Jayewardenepura Hospital on 213 occasions, but the formal approvals for these free issues were not submitted for audit. Furthermore, it was confirmed that the Ministry does not have a procedure to verify that any medicines or surgical items issued free of charge are provided to patients without charging any fees.	Necessary actions are currently being undertaken and the progress will be reported in the future.	A formal procedure should be established, and funds related to releases made without formal approval should be recovered.
(b) Fees collected by six private institutions from foreign students referred to Galle National Hospital for patient observation programs had been credited to the “Situational Promotion Fund,” administered by an external voluntary organization. Between 2020 and 2024, a total of Rs. 32.52 million was deposited in this manner, of which Rs. 31.88 million was spent from the fund.	Although the Ministry has expressed policy agreements regarding the provision of facilities to foreign students, no guidelines have been issued concerning the collection of fees. Consequently, the amounts collected from Institutions that recruit foreign students are received as donations to the Situational Promotion Foundation, and these donated funds have been utilized for hospital operations.	The Ministry should introduce a formal procedure in this regard, and all funds received should be credited to government revenue.
(c) For the construction works of the ten-storey building under construction at Badulla Teaching Hospital and for the water required by the workers engaged in the construction, water had been drawn from the hospital’s piping system without the approval of the hospital administration. From the start of the project on 30 January 2020 until the audit date of 30 September 2024, the financial loss incurred by the government due to this amounted to Rs. 506,100.	The relevant company was informed that, from the commencement of construction to 24 August 2024, a loss of Rs. 496,802 (including taxes) had occurred at a rate of Rs. 7,500. Accordingly, the company submitted a letter expressing its disagreement with the statement regarding the period from the start of the construction. Based on this, discussions will be conducted with the company to take measures to recover the funds.	After considering the relevant matters, all amounts due to the government should be promptly recovered.
(d) During payments for the disposal of clinical	The overpaid funds have now	Verifications must

waste at Colombo National Hospital, without due consideration that the contractor did not supply the necessary bins for clinical waste disposal, payments had been made to the contractor for 1,012,139 kg of clinical waste disposed of from 1 January 2017 to 31 March 2019 at a rate of Rs. 28.24 per kg, totaling Rs.28.58 million, including bin charges. Similarly, for the period from 01 April 2019 to 31 July 2022, payments were made for the disposal of 2,628,815 kg of clinical waste at a rate of Rs. 3.81 per kg, totaling Rs.10.01 million, inclusive of bin charges. When making calculations to recover the excess bin charges paid, an amount of Rs. 10.38 million was under-calculated. Furthermore, according to the information submitted for audit, for the period from 01 April 2019 to 31 July 2022, the hospital spent Rs. 44.28 million on bins purchased for the disposal of clinical waste. However, as only Rs. 5.01 million was calculated as recoverable from the contractor, an amount of Rs.39.26 million was still due to be recovered by the government relating to that period.

- (e) According to Section 2.1 of the Cabinet Memorandum dated 10 April 2023 submitted by the Minister of Health regarding the approval of charges for paying ward facilities provided to citizens at government hospitals and health services rendered to non-Sri Lankans, it was observed that the prevailing charging mechanism has become outdated and that there exists a clear disparity between the cost incurred for the services provided and the amounts recovered. Further, in terms of Section 2.2 of the said Memorandum, it was emphasized that there is a necessity to introduce a mechanism for revising charges, and it had been proposed to appoint a committee within the Ministry of Health to implement the proposed system. Nevertheless, it was observed during the audit on charging for paying wards at the National Hospital of Colombo that by April 01, 2025, no charging mechanism had been implemented even to cover the minimum cost in accordance there with.

been collected.

A committee has been appointed for this purpose, and further action will be taken in accordance with the committee's recommendations.

be provided for audit concerning the collection of the excess payments.

Charges levied for the provision of services should be revised in accordance with the Budget Circular instructions and at least to cover the minimum cost incurred.

- (f) Six biomedical equipment items valued at over Rs. 64 million at the National Hospital of Kandy had been handed over to an external agency for repairs without entering into a formal agreement. As of 19 September 2024, the said equipment had been taken out of the hospital and not returned after repairs for periods ranging from 01 to 18 months. For four of these items, the external agency had charged Rs. 10,254,110 as repair costs, while for the remaining two items, valued at nearly Rs. 16 million, an estimate of Rs. 11,254,840 had been submitted. However, no follow-up or supervision had been carried out regarding the repairs of the equipment handed over to the said agency.
- It was reported to the Deputy Director General (Biomedical Engineer) to provide copies of signed annual maintenance and service agreements. However, to date, no copies of the agreements have been submitted, nor has there been any notification regarding whether the agreements were executed. The monitoring of the repair work and subsequent progress of the biomedical equipment has been carried out by the Biomedical Engineer and staff, as well as the in-charge nursing sisters of the relevant sections. It was further reported by the relevant institutions that, during the repair of the equipment, additional parts are imported from the manufacturer's country, and delays occur due to issues in the customs clearance process.
- Institutions should enter into formal agreements for repairs and take prompt action to monitor and ensure the completion of the work.
- (g) At the Sirimawo Bandarnayake Specialized Hospital for Children, the MRI scanner installed in 2005 had been repaired in 2018 at a cost of Rs. 15,812,500 as it had been accidentally struck by a cylinder. However, it was reported that the machine became non-functional and beyond repair just five days after the repair. The hospital had presented contradictory explanations regarding this matter, and no formal inquiry had been conducted. Furthermore, despite entering into a service agreement on 18 March 2019, for the said non-functional machine and paying a service fee of Rs. 3,632,720 to a company, the machine had not been restored to working condition even as of 31 December 2024.
- The repair work and the maintenance and service agreement had been entered into by the Biomedical Engineering Division of the Ministry. A formal disciplinary inquiry was conducted by a committee appointed by the Ministry. Accordingly, disciplinary order has been imposed to recover a daily wage, and reporting was done in accordance with this order. Due to an appeal against the disciplinary order, it was subsequently revised by the Public Service Commission, and the daily wages already recovered were reimbursed. In addition, a separate investigation regarding this
- The officers responsible for asset management should not act negligently in the performance of their duties.

matter is being carried out by the Commission to Investigate Allegations of Bribery and Corruption. Furthermore, a committee has been appointed by the Biomedical Engineering Division to oversee the disposal of this equipment.

(h) The Medical Supplies Division had paid a total of Rs. 123.24 million to a private company for the disposal of substandard medicines, surgical items, and laboratory items, amounting to Rs. 109.75 million in 2023 and Rs. 13.49 million in 2024 respectively. The following observations were made in this regard.

(i) The Medical Supplies Division had not taken steps to allocate provisions for these expenses through the 2023 annual budget, nor to create a new Object under Financial Regulation 68 for that purpose. Accordingly, the disposal expenses had been accounted for under the Object for the purchase of oxygen reagents and consumables.

No responses have been submitted.

Prior to incurring expenses, provisions should be made through the annual budget or steps should be taken to create a new Object in accordance with the financial regulations.

(ii) In this regard, although quotations had been called for on 25 August 2022, one company that submitted a quotation informed that a tripartite agreement between the Ministry of Health, that private company, and the Central Environmental Authority was in force for a period of 10 years from 26 June 2018. Based on this, the Technical Evaluation Committee had decided that it was appropriate to carry out the disposal activities under the conditions of that agreement. Accordingly, approval had been granted to pay the amount specified in the agreement (Rs. 260 per kilogram) for quality failed unused surgical materials and laboratory items, and in instances where government vehicles were not available, to pay either Rs. 200 per kilometer or

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An investigation should be conducted into the negligence of duty in granting approvals by the Technical Evaluation Committee and the Procurement Committee without examining the subject matter of the agreement and the relevant issues, and a report thereon should be submitted to the audit.

the amount specified in the agreement, whichever was lower for provinces other than Western, Central, and Southern. As such, instead of paying the lowest quoted price of Rs. 99.84 per kilogram submitted by the bidder, it had been agreed to pay Rs. 260 per kilogram as stipulated in the agreement. Further, with regard to the disposal of clinical waste in provinces not covered by the agreement, the Technical Evaluation Committee and the Procurement Committee had granted approval without calling for separate quotations, without examining the scope of the agreement, and without considering the use of equipment imported under an Australian project.

- (iii) Accordingly, under Section III (a) of the tripartite agreement, the disposal of clinical waste from hospitals under the Ministry of Health in the Western, Central, and Southern Provinces, as well as the cytotoxic waste collected from hospitals in all provinces listed under Schedule A-2 of the agreement, is covered. However, contrary to this, on 33 occasions the Medical Supplies Division had assigned the disposal of clinical waste from provinces other than the Western, Southern, and Central Provinces also to the private company. Accordingly, a payment of Rs. 62,430,286 had been made for the disposal of 208,520 kilograms of such waste. In doing so, no classification had been carried out to determine whether the waste was cytotoxic or non-cytotoxic. Nevertheless, according to the Clinical Waste Collection Document provided by the company, waste from 18 institutions had been recorded as expired drugs.

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An investigation should be conducted regarding the failure to make decisions that would result in minimal expenditure to the government, and the responsible officers should be identified and disciplinary action should be initiated against those responsible.

- (iv) According to Section 3(b) of the National Medicines Regulatory Authority Act, No. 5 of 2015, the main objective of the Authority is to act as the central regulator for all matters related to the disposal of medicines, medical devices, and restricted products. In line with this, the National Medicines Regulatory Authority issued a guideline on 01 February 2021 regarding the disposal of expired and unnecessary medicines. Accordingly, the disposal of medicines should be carried out under the supervision of an authorized officer of the National Medicines Regulatory Authority, and prior approval from the Authority should be obtained before disposal. However, when carrying out the disposal of medicines, the Medical Supplies Division had conducted such activities without obtaining prior approval from the National Medicines Regulatory Authority. Instead, copies of letters allocating disposal dates for each institution and the corresponding Destruction Certificates, completed after the disposal, were submitted to the Chief Executive Officer of the National Medicines Regulatory Authority.
- During this process, the disposal was carried out for medical supplies that had been designated for removal by the Authority, and since this process was carried out under the Ministry of Health, the deviation was done with the consent of the Authority. Accordingly, compliance with the requirements of the Act was not necessary during this process, and the necessary authorization for disposal had been granted by the National Medicines Regulatory Authority to the institutions carrying out the disposal. Accordingly, details of the disposed medical supplies were provided to them, and they accepted them as agreed.
- Actions should be taken in accordance with the provisions of the National Medicines Regulatory Authority Act, No. 5 of 2015

3.5 Transactions of Fraudulent Nature

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) Upon examining the personal file of the medical officer serving as the Director (Information) of the Ministry, in comparison with information obtained from the Department of Immigration and Emigration regarding foreign travel conducted using two passports, it was observed that approvals for 18 foreign trips undertaken by the officer between 21 January 2013 and 12 July 2024 were not recorded in his personal file. Although the officer had been granted leave from 27 November 2015 to 7 December 2015, he reported back for duty in Sri Lanka on 03	No responses have been submitted.	A comprehensive formal investigation should be conducted, and disciplinary action should be taken against the officers responsible.

December 2015 due to a medical condition. Consequently, the leave was amended and approved for the period 27 November 2015 to 03 December 2015. However, the officer had actually returned to Sri Lanka on 27 November 2015. Furthermore, 20 instances were observed in which the officer traveled abroad prior to the approved commencement date of foreign leave or returned to Sri Lanka after the approved end date of leave. No formal approvals were obtained for these deviations.

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| <p>(b) According to the logbook of the vehicle bearing registration number PD-0736, under the Ministry of Health and Mass Media, four Ferentino-type tires costing Rs. 245,741.57 had been supplied to the vehicle on 04 March 2023. On 19 March 2024, the driver submitted a request for the supply of four tires, which was approved by the Director (Transport). According to the vehicle's logbook, four Farroad-type tires costing Rs. 193,520 were supplied to the vehicle on 30 September 2024 (it is unclear whether the date is 30 September 2024 or 30 April 2024). Regarding this purchase, the invoice dated 30 April 2024 indicated that the tires were delivered to the warehouse on 25 June 2024, as confirmed by the stock certificate. In this connection, during inquiries made with the Accountant (Supplies) on 18 March 2025, it was confirmed that payment had not been made because the tires removed from the vehicle had not been handed over to the warehouse. Accordingly, the entry in the vehicle logbook stating that four tires were installed on 30 September 2024 was found to be fraudulent. It was also confirmed that the invoice presented, indicating that the tires had been purchased, installed on the vehicle, and subjected to wheel alignment and wheel balancing, was a fraudulently submitted document.</p> | <p>The fact that the invoice dated 04 March 2023 was submitted to the Transport Division, and following the recommendations of the technical officers confirming that the tires were properly fixed, the entry was recorded in the logbook and forwarded to the Supplies Division. Similarly, the invoice dated 30 April 2024 was also submitted to the Transport Division. Accordingly, the invoice was forwarded to the Supplies Division following the recommendation of the technical officers confirming that the tires were fixed, that the Transport Division did not take custody of the tires removed from the vehicle, and that the date of 30 September 2024 for receiving the tires was recorded fraudulently. However, since the logbook indicates the correct date as 30 April 2024, no fraud occurred on the part of the Transport Division.</p> | <p>Internal controls related to vehicle maintenance should be strengthened to prevent fraudulent activities, and an inquiry should be conducted and accordingly, disciplinary action against the officers responsible should be taken.</p> |
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- (c) The following matters were observed during the audit relating to the payment of allowances for radiation therapy administered through the linear accelerator by Maharagama Apeksha Hospital.
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| (i) | Although a committee chaired by the Director General of Health Services on 15 March 2022 confirmed that two therapeutic radiographers are sufficient to administer a single treatment to a patient through the linear accelerator, three therapeutic radiographers had been engaged. In addition to the number of angles (fields) determined by the consultant radiation oncologist, a further 10 fields had been added and allowances paid. Moreover, in certain instances, when radiation fields were simultaneously applied to two sites of a single patient, the aforesaid additional 10 fields were separately added to each site, resulting in allowances being paid for 20 fields. | No responses have been submitted. | A clear and formal circular should be newly issued regarding this procedure, while allowances obtained by presenting false information should be recovered, and disciplinary action should be taken against the officers concerned. |
| (ii) | In the administration of iodine therapy, two therapeutic radiographers had been engaged, and based on the number of millicuries of iodine contained in the iodine capsules/liquids administered to the patient, an additional duty allowance at the rate of Rs. 22.50 per millicurie had been paid. | It has been agreed that, if allowances have been paid in excess due to actions taken contrary to the relevant circulars, such amounts should be recovered, and that further action will be taken based on the relevant approvals. | -Do- |
| (iii) | Although 997 and 1,283 cancer patients had respectively been treated using the two linear accelerators, LA2 and LA3, the therapeutic radiographers, when claiming additional duty allowances, had incorrectly recorded the number of patients treated as 1,910 and 2,183 respectively. As a result, allowances amounting to Rs.632,835 had been overpaid for 28,126 additional fields. | No responses have been submitted. | -Do- |

(d)	In 2021, although an agreement had been entered into with a contractor to spread 575 cubic meters of soil at a total cost of Rs. 1,408,750 for the land named Itravelikkandam belonging to the Ashraff Memorial Hospital in Kalmunai, payments had been made for 2,235.86 cubic meters of soil. Accordingly, an excess payment of 288 percent over the estimated cost had been made. However, at the combined physical inspection conducted on 26 March 2025 with the participation of audit officers, it was confirmed that only 1,779.6 cubic meters of soil had been spread. As such, a sum of Rs. 1,117,837 had been overpaid for 456.26 cubic meters of soil. Furthermore, since laboratory test reports confirming that the soil used was of the approved type and that the compaction had been carried out as required (compaction report) had not been obtained, it was observed that the entire payment made for the soil was erroneous.	-Do-	It is necessary to conduct a complete inquiry, recover the overpaid funds, and take disciplinary measures against the officials concerned.
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3.6 Issuance and Settlement of Advances

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
The following observations were made regarding the reconciliation statement of Advances to Public Officers “B” Account submitted for the year ended 31 December 2024,.		
(a) The outstanding loan balances as of 31 December 2023, pertaining to 31 officers who were in service as of 31 December 2024, had not been recovered during the year 2024.	Actions will be taken to write off loan balances that have been credited to the government revenue due to unclaimed by the officers. The distress loan amounts totaling Rs. 1,622,188 relating to seven officers were re-validated during 2024. The distress loan balance of Rs. 813,125 relates to two officers who are abroad. Measures are being taken to recover the outstanding loan balances from the remaining officers.	The reasons for the non-recovery of each officer’s outstanding loan balance should be submitted for audit.

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| (b) | <p>According to Annex 3 of the 2024 reconciliation statement, the outstanding loan balances of officers who were transferred to other government ministries/departments amounted to Rs. 49.14 million. Under Budget Circular No. 118 dated 11 October 2004, if the outstanding loan balance of a transferred officer is not settled within two months, the receiving department should verify the officer's service, provide written notice to the transferring department, and in the third month, the transferring department must recover the loan balance via the monthly account summary and ensure the balance is not shown after three months. However, actions in accordance with the circular had not been taken in respect of loan balances totaling Rs. 49.14 million for 61 institutions and divisions under the Ministry of Health as of 31 December 2024. It was also observed that these institutions had not acted in compliance with Sections 1:6 and 1:7 of Chapter XXIV of the Establishments Code. Of these loan balances, Rs. 40.69 million represented old balances exceeding five years, accounting for approximately 83 percent of the total outstanding balance. From the remaining balances, Rs. 7.30 million were overdue by more than three months. Accordingly, a total of Rs. 47.99 million, or 98 percent of the total outstanding balances, had arisen due to the negligence of the officers.</p> | <p>As of the end of 2024, the outstanding loan balances of officers transferred to or arrived from other government ministries/departments have now been regularized. Loan balances of officers internally transferred or arrived have been processed since 2020 after being brought to the headquarters, and balances not processed after 2020 are not reflected in the accounts. Loan balances prior to 2020 are being settled following verification of earlier data. Loan balances of officers transferred to provincial councils are being regularized after notifying the respective councils, and balances pertaining to officers arrived on transfers are currently being settled following the release of provisions.</p> | <p>In accordance with the Establishments Code and circular provisions, action should be taken to regularize the officer's outstanding loan balance within three months of the transfer.</p> |
| (c) | <p>The outstanding loan balances of Rs. 11.37 million included in Schedule 3.2.2 as of 31 December 2024, were due from officers transferred from hospitals and other health institutions under the Ministry of Health. This situation had been brought to attention through Auditor General's reports for the years 2019, 2020, 2021, 2022, and 2023. Since it is not possible to maintain both debit and credit balances for institutions under the same expenditure head, it was recommended that the outstanding loan balances be examined and rectified. However, as of 31 December 2024, no action had been taken to identify these outstanding balances.</p> | <p>The loan balances of officers transferred internally and newly arrived officers are reconciled after being brought such balances to the headquarters from 2020 onwards; therefore, loan balances not reconciled after 2020 are not reflected in the account. Loan balances prior to 2020 are reconciled following verification of previous data, and this process is ongoing.</p> | <p>-Do-</p> |

(d)	The recoverable loan balances of 195 officers who had been interdicted amounted to Rs. 9.95 million as of 31 December 2024. Of this, Rs. 7.31 million, or 73 percent, represented loan balances older than five years, while Rs. 9.28 million, or 93 percent, were loan balances exceeding a period of one year.	Some of the outstanding loan balances have been referred to the Legal Division for recovery, while information regarding the remaining balances has been requested from the officers' personal addresses, guarantors, and the officers responsible for the respective areas. Furthermore, where balances remain unrecovered despite all necessary efforts, appropriate measures are being taken to write them off from the books.	The loan balances should be recovered in accordance with the provisions outlined in the Establishments Code.
(e)	The total recoverable loan balances of 1,224 officers who had vacated service amounted to Rs. 45.28 million. Of this, Rs. 11.28 million, or 25 percent, represented loan balances older than five years, while Rs. 25.11 million, or 55 percent, were loan balances exceeding a period of one year.	Outstanding loan balances exceeding five years exist due to officers not residing at the addresses recorded in their personal files, the inability to trace current addresses, and, in the case of officers with over ten years of service, the absence of guarantors, which prevents recovery. In addition, instructions have been issued to hospitals and institutions under the Ministry to regularize long-standing loan balances, and where recovery remains unsuccessful, appropriate measures are being taken to write them off from the books.	-Do-
(f)	The total recoverable loan balances of 257 retired officers amounted to Rs. 18.22 million, of which Rs. 5.79 million, or 32 percent, comprised loan balances older than one year.	In order to minimize the loan balances of retired officers, the Pensions Department has been informed and is taking action to recover the outstanding balances in accordance with the provisions of the Government Financial Regulations No. 05/2019.	-Do-
(g)	As of 31 December 2024, the recoverable loan balances from deceased officers amounted to Rs. 8.65 million. Of this, Rs. 1.72 million, or 20 percent, was due from 29 officers and comprised balances exceeding five years. Due	A significant portion of the death gratuities of deceased officers has not yet been settled, and due to the absence of heirs, no further actions have been taken in the files;	-Do-

to non-compliance with Sections 4.4 to 4.6 of Chapter XXIV of the Establishments Code, Rs. 4.77 million, or 55 percent, of the outstanding balances were older than one year.

consequently, recovery procedures have not been completed to date. Instructions have been issued to hospitals and institutions under the Ministry to settle long-standing loan balances, and where recovery remains unsuccessful, appropriate measures are being taken to write them off from the books.

3.7 Deposit Balances

Audit Observation

As of 31 December 2024, a net discrepancy of Rs. 10.58 million was observed between the deposit account summary according to the CIGAS system and the individual accounts summary reports of the Ministry of Health.

Comment of the Chief Accounting Officer Recommendation

This discrepancy may have arisen from errors during the crediting of old balances in the general deposit accounts dating back to 2016 and from transferring old balances to newly opened general deposit accounts. However, efforts have been made to reconcile these differences to the maximum extent possible

The causes of this discrepancy should be identified and corrected promptly.

4. Operating Review

4.1 Level of Output Failure to Achieve Expected

Audit Observation

- (a) At the Polonnaruwa National Nephrology Hospital, 55 units of equipment relating to 20 types, provided by the Chinese Government as grants for conducting kidney-related research, remained idle in storage as the Research and Development Division had not been established. Furthermore, no attention was paid to the potential technical obsolescence resulting from non-use of this equipment.

Comment of the Chief Accounting Officer Recommendation

During a management committee meeting, discussions were held with the Deputy Director General of the Laboratory and university representatives regarding the establishment of the research and laboratory facilities. Since these actions have not yet been implemented, instructions were issued to identify locations where the unused equipment in the research laboratory could be deployed and to take prompt action to provide it to the hospitals.

Measures should be taken to either put this idle equipment into use or, provide them to suitable locations by identifying the necessity.

(b)	In 2023 and 2024, Kegalle Teaching Hospital was able to perform surgery on only 732 and 708 patients, respectively, out of 1,794 and 1,436 registered, covering less than 50 per cent of the total registered patients.	From the beginning of 2023, the hospital did not receive an adequate supply of contact lenses and cassettes, and during periods of shortages of medicines and surgical consumables, it was not possible to provide these items to some patients. Consequently, it was not possible to perform surgery for all patients registered in 2023 and 2024.	Patient care services should be carried out with maximum operational efficiency.
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4.2 Failure to Achieve the Expected Level of Outcome

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
Although the Medical Intensive Care Unit at the Polonnaruwa National Nephrology Specialist Hospital, which was initiated in 2021, had exceeded three years as of 10 February 2025, the unit had not operated at a functional level, and the responsible parties had not paid adequate attention to bringing it to operational status.	The Director General of Health Services has been informed that urgent measures will be taken to make the Medical Intensive Care Unit operational.	Efforts should be made to achieve the expected outcome within the scheduled timeframe.

4.3 Abandonment of Projects Without Completion

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
Construction of three buildings at Chilaw General Hospital, with an estimated cost of Rs. 1,170,171,946, had been initiated in 2016. However, these constructions had not been completed even as at 31 December 2024. The details are as follows:		
(a) Considering the urgent need to construct an emergency unit, work was commenced on 15 January 2018, with an estimated cost of Rs.501.21 million and a completion period of 609 days. However, this construction had been abandoned by the end of 2024.	Due to issues related to the steel rods brought to the site by the contractor, the construction activities were delayed for a considerable period. After the investigation into this matter was completed, the contractor resumed construction.	Measures should be taken to complete the project components and put them to immediate use.

However, work was once again halted as the contractor abandoned the site without any prior notice. Provisions have now been made to recommence the work in 2025, and steps are being taken to immediately restart the construction.

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| <p>(b) The construction of a five-storey medical ward complex, estimated at Rs. 583.78 million and commenced by the State Engineering Corporation on 19 February 2018, was scheduled to be completed by the end of 2020. However, the construction was discontinued, and the contract period had already exceeded approximately 1,700 days.</p> | <p>The discontinuation in construction was due to the COVID-19 pandemic and the subsequent economic crisis in Sri Lanka, which caused financial difficulties within the State Engineering Corporation. In accordance with the Cabinet decision No. CP/22/0718/520/002 dated 21 June 2022, the work was suspended in a manner that did not disadvantage either the employer or the contractor. Provisions have now been made for 2025, and a new estimate has been called for.</p> | <p>The project should be completed expeditiously and put to use for patient care services.</p> |
| <p>(c) Considering the hospital's acute shortage of space and the urgent need to establish an operating theatre and an intensive care unit, plans were prepared to construct a temporary building using steel in order to minimize the time required for constructing a conventional building. This temporary building was intended to be completed within six months. However, by the end of 2024, work on the second floor of this building had not been completed. The delay was due to the contractor's negligence, failure to identify requirements before preparing the plans, subsequent modifications to the designs, preparation of plans and estimates without a feasibility study of the construction site, and delays in bill payments. As a result, the estimated cost of the construction, initially Rs. 85.18 million, was requested by the contractor to be increased to Rs. 131.95 million on 31 May 2021.</p> | <p>The construction was contracted to the State Development and Construction Authority. However, due to the institution's lack of accountability and negligence, work was halted midway. Measures have been taken to avoid awarding contracts to such institutions in the future. Nevertheless, plans are currently being prepared to complete the second floor in accordance with the hospital's requirements.</p> | <p>The project should be planned and implemented following a feasibility study.</p> |

4.4 Delay in the Execution of Projects

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
The construction of the Outpatient Department building of the Ambilipitiya District General Hospital, with an estimated cost of Rs. 218.44 million and commenced on 01 November 2016 based on provincial council provisions, was scheduled for completion by 31 December 2018. However, only approximately 30 per cent of the ground floor construction was completed and work was halted midway.	Provisions have now been allocated to commence the remaining construction on the left wing of the ground floor, as well as on the first and second floors of the Outpatient Department building. The Sabaragamuwa Provincial Engineering Services Office has approved the estimates, and necessary actions are being taken for further procurement.	Appropriate steps should be taken to complete the project expeditiously and utilize it effectively.

4.5 Procurements

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) In order to repair the vehicle belonging to the Ministry of Health, bearing number KP-0050 (Land Rover Discovery 04), approval had been granted on the basis of an estimate of Rs. 1,995,655 submitted by the local agent institution on 11 October 2022. The vehicle had been handed over to the said local agent institution for repairs on 02 December 2022, and on 16 December 2022, the institution had submitted a new estimate amounting to Rs. 2,124,076. The institution had further submitted an additional estimate of Rs. 420,668 on 13 February 2023, which was approved on 27 February 2023. Again, on 17 August 2023, another additional estimate amounting to Rs. 11,927,210 had been submitted, and the Transport Foreman and Mechanical Engineer who examined it had recommended, through an undated letter, that the vehicle be taken back to the Ministry. However, the responsible officers had not paid attention to this. Later, on 19 February 2024, the Transport Officer submitted a report to the Director (Transport), stating that the repairs	The vehicle should be taken over after settling the invoice relating to the repairs carried out; however, since the final invoice has not been submitted by the agent institution, the vehicle could not be taken over. Future action regarding this vehicle will be taken after the decision of the committee appointed to determine the measures to be adopted in this regard. As there is a policy decision of the Government to auction vehicles with engine capacity exceeding 2,300 CC, this vehicle is also to be referred for auction accordingly.	Disciplinary action should be taken against the responsible officers after conducting a formal investigation into the matter.

had been carried out with additional spare parts and that the submitted invoice was required to be settled. Despite the fact that the vehicle was to be promptly repaired and delivered, more than two years had lapsed since the defect was reported by the driver on 28 July 2022, and as of December 2024, neither the repair had been carried out nor the vehicle handed over to the Ministry.

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| <p>(b) When preparing the estimates for raw food items at the National Hospital of Kandy, overestimates amounting to Rs. 380.92 million in 2022/2023 and Rs. 260.41 million in 2023/2024 had been made, which resulted in a high performance security for the relevant tender, discouraging other potential bidders from submitting competitive bids.</p> | <p>The fact that such weaknesses and overestimation had occurred not only in 2022/2023 and 2023/2024 but also in the preceding years. However, a Food Management Committee has now been appointed, and food estimates for the year 2024/2025 have been prepared by rectifying the excessive estimation practices.</p> | <p>Steps should be taken to prepare realistic estimates to secure more competitive bids and to take disciplinary action against the officers responsible for preparing the overestimates.</p> |
| <p>(c) For the establishment of an E-Health System Programme to computerize the services provided at the Sirimawo Bandaranaike Specialized Hospital for Children, quotations had been called on two occasions. At the second occasion, the contract had been awarded for a value of Rs. 19.49 million (exclusive of VAT), which was Rs. 879,105 higher than the first occasion. Further, instead of the favorable terms offered in the first occasion, which included a five-year period of free repairs and replacements and a 25-year warranty period, the contract had been awarded under unfavorable conditions to the Government, that is, a 03 year warranty period and a 10 year maintenance and service period at a cost of Rs. 3,500,000 after the warranty period. Moreover, although the project had been completed and handed over on 19 November 2019, the system remained completely inactive without any plan for activation or the procurement of technical equipment even by 31 December 2024.</p> | <p>The fact that since the contract had been awarded to the lowest responsive bidder as recommended by the Technical Evaluation Committee, the procurement had been made in the best interest of the Government, and that the warranty conditions granted for the first bid had also been extended to the second bid, accordingly, a 25-year warranty for Passive Items under both occasions has been given. It had been requested from the Ministry, both prior to and after 19 November 2019, the project completion date, to carry out the further work necessary for establishing a suitable program for the hospital, and that the installation and</p> | <p>An independent investigation should be conducted.</p> |

operation of this system could be carried out only with the approval of the Ministry of Health, and therefore the hospital itself was unable to execute the task directly. According to the report submitted by the Ministry's Information Technology Officer, due to the failure to renew the license of the firewall device, some services provided through it could not be performed, although this did not amount to a complete inactivity of the system.

- (d) According to Section 6.1 of Public Circular No. 01-21/2015 of the Ministry of Health and Indigenous Medicine dated 28 May 28, 2015, junior employees of hospitals should be provided with a half-board, which includes one meal, either lunch or dinner. However, in the bidding document prepared and issued by the District General Hospital, Matala, for this procurement, it had erroneously been stated that a half-board for Junior staff should include two meals, including both lunch and dinner. As a result, the selected supplier had quoted higher prices for the half-board meal, and when compared with the prices of another central government hospital in the Central Province, Accordingly, an overpayment of nearly Rs. 3,695,875 had been made for the 4-month period from 01 January 2024 to 31 April 2024, due to the payment of two meals for one meal provided. For the remaining eight months of 2024, a further overpayment of approximately Rs. 7,391,750 could have occurred.
- That the bidding document for the food supply contract had been revised to specify the half-board meal as consisting of one meal, and the amended bidding document had been approved under an amended procurement decision dated 23.07.2024, which had subsequently been approved by the Procurement Committee (C) of the Ministry of Health on 16 October 2024.
- Responsible officers should act with due diligence, and disciplinary action should be taken against those officers who acted negligently.

- (e) During the audit carried out regarding the procurement of cleaning services at the Hambantota District General Hospital, the following observations were made.
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| <p>(i) According to the bidding conditions, the cleaning chemicals supplied should be certified by the Industrial Technology Institute (ITI) as being in compliance with the standards of the Sri Lanka Standards Institution, and such chemicals should be delivered in printed packages that clearly specify the chemical composition and quantities. However, the supplier institution had supplied cleaning chemicals in packages without printed labels or seals, where the manufacturing date, expiry date, batch number, and quantities had merely been handwritten. It was also observed that there were instances where certification of standards had not been obtained from the Sri Lanka Standards Institution.</p> | <p>By letter dated 31 December 2024, the contractor company was instructed to rectify the prevailing shortcomings in accordance with the terms of the contract.</p> | <p>Action should be taken with regard to the failure to comply with bidding conditions.</p> |
| <p>(ii) In terms of the bidding conditions, the head of the institution had not provided details of the land extent and building areas relevant to the cleaning activities. Further, in contravention of Condition 2.19, daily attendance records of cleaning staff had not been inspected and certified by an authorized officer; in contravention of Condition 2.7, the minimum number of male staff required for cleaning services had not been deployed; and in contravention of Condition 16.3, the chemicals used for cleaning had not been verified by the Infection Control Unit to ensure conformity with the required standards.</p> | <p>-Do-</p> | <p>-Do-</p> |
| <p>(f) The contract for the security service of the Anuradhapura Teaching Hospital had been continuously provided to a government-affiliated company for over 20 years, and although complaints had been submitted against this company by various parties, no</p> | <p>With effect from 01 April 2025, a new contractor had been appointed by following procurement procedures to obtain security services by the hospital.</p> | <p>Measures should be taken in compliance with the Procurement Guidelines.</p> |

attention was paid to such matters when making procurement decisions. Accordingly, without calling for competitive bidding, the contract was once again awarded to the same company for the six-month period from 01 October 2024 to 31 March 2025, at a cost of Rs. 23,975,022. Furthermore, no mechanism had been established to accurately verify the daily attendance, departure, and number of employees assigned for security shifts.

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| (g) | <p>In accordance with a Cabinet decision, the Anuradhapura Teaching Hospital had awarded the cleaning service contract for the year 2023/2024, without competitive bidding, to the same private institution that had provided such service continuously for over 20 years. Moreover, although the contract stipulated that the cleaning chemicals used should conform to the prescribed standards, an inspection conducted by the hospital administration on 22 October 2024 revealed that the chemicals in use did not comply with the required standards. Although the contract period had expired on 15 September 2024, the said institution had continued to provide cleaning services uninterrupted.</p> | <p>The random inspections carried out by the hospital's Infection Control Unit revealed problematic conditions concerning the quality of certain cleaning chemicals provided, and the contractor had been informed to ensure that supplies were delivered only after confirming compliance with standards. The relevant information has already been forwarded to the contractor newly selected by the Ministry.</p> | <p>-Do-</p> |
| (h) | <p>The following matters were observed during the examination of the payments made and the food items supplied by the private supplier, who had been contracted to provide raw food items, excluding fish, to the Nagoda Teaching Hospital under an agreement valued at Rs. 147.76 million.</p> | | |
| (i) | <p>For several consecutive years, only the same supplier had submitted quotations and contracts had been awarded to that supplier alone. As a result, the hospital had lost the opportunity to select the most reasonable and advantageous supplier through competitive bidding.</p> | <p>No reply has been submitted</p> | <p>Action should be taken to enhance competition.</p> |

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| <p>(ii) According to the agreement entered into with the supplier, skinless chicken was to be supplied. However, it was confirmed by entries in the complaint register, reports of the Public Health Inspector, and physical inspections carried out during supply, that chicken with skin had been provided continuously at the higher rate of Rs. 1,580 per kilogram. During this period, skinless chicken could have been purchased from the open market at approximately Rs. 1,000 per kilogram. Consequently, the hospital had paid over Rs. 500 extra for every kilogram of chicken with skin purchased.</p> | <p>It was revealed following the verification that, from 31 October 2024 to 15 December 2024, the contractor had supplied 397.280 kilograms of chicken with skin, of which 59.592 kilograms represented skin weight (based on the chef's report that one kilogram of skin weighed 150 grams). Accordingly, an excess payment of Rs. 94,155.36 had been made to the supplier, and action will be taken to recover the overpayment through the March voucher.</p> | <p>Action should be taken in accordance with the contract terms and all recoverable amounts should be promptly collected.</p> |
| <p>(iii) It was observed that, to avoid allegations that the weight per piece of meat would decrease when the raw food supplier's chicken with skin was cut into pieces by removing the skin, and to prevent cooking delays caused by the longer time required to cut frozen chicken with skin, the chef had cooked the chicken with skin. The Public Health Inspector's report highlighted that this practice created a highly undesirable situation that could pose complications for patients.</p> | <p>After the supplier was informed (from 16 December 2024 onwards), skinless chicken is now being supplied properly.</p> | <p>Action should be taken against the non-compliance with bidding conditions.</p> |
| <p>(iv) Furthermore, quality inspection reports confirmed that the tea powder supplied by the raw food supplier was of inferior quality, while entries in the complaint register confirmed that the vegetables supplied were muddy and in an unclean state. Despite this, payments had been made without taking due action to be taken.</p> | <p>The contract did not properly specify the standards for the tea powder, which could lead to disputes. Following the inspection of tea powder samples, the contractor was advised to supply properly packaged tea with labeled bags, and the quality of these tea powders was also verified. It is acknowledged that some raw food items supplied by the contractor were of very low quality on certain days; Accordingly, low-quality raw food items will not be</p> | <p>Responsible officers should take steps to ensure obtaining high-quality food in compliance with required standards.</p> |

accepted; instead, they will be returned, and steps will be taken to procure high-quality food items.

- (i) Observations made during the audit of the cleaning services at Nagoda Teaching Hospital are as follows.

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| <p>(i) In according with the cleaning service contract agreement, if the performance of the selected contractor is unsatisfactory as observed by the Health Secretary, or if the contractor has violated the contract terms, the Health Secretary is empowered to forfeit the contractor's performance bond and blacklist the contractor. However, despite the Industrial Technology Institute (ITI) sample test reports of the cleaning chemicals for 2023 being unsatisfactory, and notwithstanding the hospital director's letter dated 08 January 2024 notifying the Director General (Supplies) of the Ministry of Health that the chemicals used by the cleaning service provider were substandard, no action was taken to blacklist the contractor, and the cleaning contract for 2023/2024 was again awarded to the same private institution.</p> | <p>No responses have been submitted regarding this matter.</p> <p>Action should be taken in accordance with the authority granted under the agreement when a contractor violates contract conditions.</p> |
| <p>(ii) The quality test reports of the Industrial Technology Institute must be submitted to confirm that the chemicals used for the cleaning service are of proper standard as per the bid conditions. However, the institution did not submit these reports, as noted by the Technical Evaluation Committee, whereas the Ministry Procurement Committee had recommended awarding the contract on the condition that these reports would be submitted. Nevertheless, quality inspection reports relevant to the 2023/2024 period were not submitted even by the end of 2024, and the Ministry of Health had not paid attention in this regard.</p> | <p>-Do-</p> <p>Action should be taken in accordance with the Procurement Guidelines.</p> |

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| <p>(iii) According to the contract agreement, to provide cleaning services at the hospital, 140 workers and 06 supervisors should be deployed daily. However, from October 2023 to September 2024, the number of workers deployed each month ranged from 207 to 40 fewer than required. Accordingly, although 140 workers should have been deployed for a 9-hour daily service shift, only about 127 workers were deployed.</p> | <p>Through continuous notification to the contractor and supervisors regarding the shortage of staff, the deficiency was minimized to some extent, and penalties were imposed by charging Rs. 450 for each worker not deployed.</p> | <p>Officers responsible for obtaining services under the contract should ensure proper enforcement of the agreement.</p> |
| <p>(iv) While the hospital had deducted a sum of Rs. 1,207,478, equivalent to the combined contribution of 12 per cent to the Employees' Provident Fund and 3 per cent to the Employees' Trust Fund totalling 15% from the salaries of the workers employed by the private cleaning service provider and paid the same to the contractor, it was observed that, in violation of labour laws and relevant regulations, the contractor had again deducted these contribution amounts from the employees' salaries and retained them.</p> | <p>Action will be taken to notify the contractor that the 3 per cent contribution payable by the employer to the Employees' Trust Fund and the 12 per cent contribution payable to the Employees' Provident Fund on behalf of the employees should not be deducted from the employees' salaries and retained by the contractor each month, and that if such violations of labour laws continue in the future, steps will be taken to blacklist the contracting institution.</p> | <p>Action should be taken regarding the failure to remit contribution payments in accordance with the Labour Laws, the Employees' Provident Fund Act, and the Employees' Trust Fund Act.</p> |

4.6 Assets Management

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) The driver of the vehicle bearing number 32-2344, belonging to the Ministry of Health, had reported to the Director (Transport) on 24 January 2020 that the engine of the vehicle was not functioning. Accordingly, on 27 January 2020, the Director (Transport) referred the vehicle to the authorized agent for obtaining an estimate. After more than one year, on 06 March 2021, the agent was informed to hand over the vehicle to the Foreman for necessary arrangements to bring it back to the Ministry. Once again, the driver of the vehicle informed the Director (Transport) on 13 May 2021 that	That during the Covid-19 period, delays occurred in obtaining an estimate due to the inability of the agent to determine the prices of spare parts, and since the vehicle was more than 10 years old, it had to be taken again to the approved institutions for price quotations. Afterwards, based on the recommendation of the Mechanical Engineer, arrangements were made	Having conducted an independent inquiry, appropriate action should be taken against the responsible parties.

the vehicle could not be started. On 10 March 2021, the Foreman and the engineer had examined the vehicle and submitted a report, and on 17 May 2021, the Director (Transport) instructed another institution to dismantle the vehicle and provide an estimate for repairs. However, the estimate received from that institution was not included in the file. Subsequently, the vehicle was subjected to a trial run and a report was submitted by the Foreman on 03 September 2021. On 08 September 2021, bids were called, and according to the recommendation of the Foreman, the repair was awarded to the lowest bidder for Rs. 394,703. The invoice for the repair, however, was submitted nearly 13 months after handing over the vehicle for repair, on 23 January 2023, and it was presented for payment on 29 March 2023. Although a warranty of 85,000 kilometers of running was provided after the repair, no evidence was submitted to the audit confirming that the vehicle had been operated after the repair.

obtain an estimate from *Jacomo Auto Gas Conversion* to dismantling the vehicle. However, since an estimate was not received from that institution, the Transport Foreman subjected the vehicle to a trial run and submitted a report. Although the vehicle had been handed over after engine repairs, it had not been operated due to external corrosion. As the vehicle was also included in the list of vehicles proposed for repairs under the Primary Health Care Project, it had been temporarily parked at the Mulleriyawa yard for painting. Prices were called on 22 July 2022, and the repair contract was awarded to the institution on 05 December 2022.

- (b) According to the recommendation made by the Foreman on 14 December 2021 regarding the vehicle bearing number PB-7902 belonging to the Ministry of Health and Mass Media, quotations were invited from 14 institutions on 27 December 2021. Out of the quotations received from 5 institutions, the institution that submitted the lowest quotation of Rs. 652,460 was recommended by the Foreman on 02 February 2022 to carry out the relevant repair work with a change in the scope of repairs, at a cost of Rs. 382,460. Accordingly, the vehicle was referred to the said institution on 08 June 2022. However, based on information received by the audit that the vehicle had been parked on a roadside in Battaramulla for a long period, it was inspected on 10 January 2023 together with officers of the Ministry's Investigation Division and Transport Division. Although the Senior Assistant Secretary (Investigations) informed the Director (Transport) on 12 January 2023 to inquire into the matter and take necessary action, no action had been taken

According to the request made by the driver on 13 December 2021, the Foreman recommended repairs and quotations were accordingly called. The institution that had submitted the lowest quotation agreed to carry out the repair without altering the repair scope, by repairing instead of replacing the ECU system, for Rs. 382,460, and the vehicle was referred to the institution on 08 June 2022. However, as per the letter addressed by the Senior Assistant Secretary (Investigations) to the Director (Transport) on 12 January 2023, although repairs had not been carried out, the vehicle had been brought back and left idle in

Responsible officers should take action to ensure that vehicle repair activities are carried out in a manner that brings maximum benefit to the Government and ensures the protection of assets.

by the responsible officers until 02 January 2025, when the file relating to the vehicle was presented to the audit. The vehicle had been towed to the Mulleriyawa vehicle yard and left idly without being assigned to any productive use.

the Mulleriyawa yard. In the investigation carried out in this regard, a warning letter was issued to the Foreman, and since repairing this vehicle is not productive, it has been arranged to include it in the forthcoming auction.

- (c) It was observed at the physical inspection carried out on the audit date on 13 February 2025 that, four Hemodialysis machines used for dialysis at the Hemodialysis Unit of the Polonnaruwa National Nephrology Specialized Hospital were in an inactive condition.

As the repairs of the machines would involve a significant amount of expenditure, the relevant local agent has informed that they should be withdrawn from use. Accordingly, instructions have been given to the Biomedical Engineering Division to take necessary action in this regard.

The machines should be examined, and appropriate measures should be taken without delay.

- (d) The clinical waste management machines (Metamizer machines) installed at the Embilipitiya District General Hospital and the Ratnapura Teaching Hospital under the Clinical Waste Management Project implemented by the Ministry of Health with Australian loan assistance had become non-functional from 22 April and 23 April 2024 respectively. As a result, problems had arisen within the hospital premises due to the accumulation of infectious and sharp waste.

The private company which had carried out maintenance and servicing of these Metamizer machines, as well as the clinical waste incinerator at the Embilipitiya District General Hospital, has ended its agreement with the Ministry of Health and that it has withdrawn from maintenance and servicing activities. Accordingly, the Secretary to the Ministry of Health has appointed a committee chaired by an engineer to decide on future actions regarding these machines, and it has been informed that the steps to be taken will be communicated in due course based on the recommendations of that committee.

The machines should be inspected, and appropriate steps should be taken without delay.

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| (e) | Although the officials of the Blood Bank at the Ratnapura Teaching Hospital had informed the Hospital Director that water had been leaking through the slab of the building housing the Blood Bank since 2019, the condition remained unchanged even as at 28 November 2024. | Having prepared an estimate from the CECB institution, the scope of work included in the estimate was referred to the Buildings and Engineering Division by letter dated 12 March 2025 for approval. It has been stated that the relevant work will be carried out immediately upon receipt of provisions and approval. | Action should be taken to properly repair and maintain government assets in a secure manner. |
| (f) | A scheduled house and 25 public service quarters were available in the Alapitiwala Housing Complex situated at a distance of about 2.5 kilometers from the North Colombo Teaching Hospital. This housing complex at Alapitiwala had been allocated exclusively for married doctors. However, during the physical inspection conducted on 15 and 16 January 2025, it was observed that 19 of these houses were unoccupied, and 18 of them had remained vacant for over four years. Due to the lack of proper maintenance of these houses and the surrounding environment, both the occupied and unoccupied houses had become overgrown with weeds. | A committee has been appointed to inspect the houses for renovation, and according to its report, estimates for building repairs have been called through the Central Engineering Consultancy Bureau, and further action is in progress. It has also been stated that government quarters will be repaired in accordance with the provisions received. | Action should be taken to ensure maximum efficiency in the utilization of assets. |
| (g) | At the rear section of Building F, which had been allocated for the health staff at the Alapitiwala Housing Complex of the North Colombo Teaching Hospital, gully pits had been constructed, and part of the land was being cultivated with bananas by an external party. No protective fence or boundary demarcation had been established around this land, and no steps had been taken to verify the ownership of the land, whether it belonged to the hospital or to the Ministry of Health, and to secure the government property by erecting boundaries. | That the land survey plan of the premises where Building F is located will be examined, and if not available, action will be taken to confirm the ownership of the land by the Ministry of Health, and thereafter, to establish boundary fences and protect government property. | Action should be taken to confirm land ownership and to maintain it in a secure manner. |
| (h) | The Electrocardiography Division of the Polonnaruwa Teaching Hospital provided patient care services in areas such as Ampara, Trincomalee, Matale, Dambulla, Batticaloa, Monaragala, and Badulla during 2024. | Since the parent companies of three exercise ECG machines and three 24-hour blood pressure monitors have been closed down, price estimates | Adequate staff should be deployed to maintain uninterrupted patient care services, and the repair works |

However, due to inadequate staff, and because three exercise ECG machines and three 24-hour blood pressure monitors were inactive, patient care services had been disrupted. The relevant supplying companies had ceased operations, making repairs impossible.

were obtained from affiliated institutions of those companies. However, as those institutions are not interrelated, it has not been possible to provide the representative certification (NMR certificate) for these machines. Accordingly, relevant letters will be submitted in this regard in the future and that repair works will be carried out expeditiously.

should be completed promptly to ensure their efficient utilization.

- (i) The land on which the Kurunegala Teaching Hospital is maintained remains under the ownership of the Kurunegala Divisional Secretariat, and no action had been taken to formally release it under the name of the Kurunegala Hospital. Although the Divisional Secretary, by letter No. 4/5/1/60 dated 12 July 2024, had requested a report on unauthorized occupants residing on the hospital premises, no action had been taken to provide such a report up to the audit inspection in October 2024, nor had steps been taken to identify unauthorized occupants.

That the survey of the hospital premises should be completed and a report prepared to provide details of unauthorized occupants, but as that report has not yet been received, the provision of such details has been delayed. Once the report is received, the necessary information will be furnished to the Divisional Secretary and further action will be taken accordingly.

The relevant report should be obtained without delay and action should be taken to settle the ownership of the property.

- (j) A stock of medical equipment valued at approximately Rs. 14.57 million, received from the Medical Supply Division by the Kandy National Hospital during the period 2021–2022, had remained underutilized in the stores without being used up to 29 August 2024.

Items such as BiPAP Machines, High Flow Oxygen Therapy devices, Portable OT Lamps, and Vital Signs Monitors had not been put into use, as the accessories required for their operation were not available either with local agents or in the open market (with no NMRA certification). Meanwhile, three Micro Hemoteri Centrifuges, Plus Oximeter Finger Tips, Dental Light Curing Machines, and 123 other items had been issued to other sections and hospitals.

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(k)	At the Nuwara Eliya District General Hospital, a partially completed and very old building of about 3,600 square feet, which is at risk of subsidence or collapse, is being used by the hospital sanitation workers. However, no action had been taken to promptly demolish the building in a formal manner and to utilize the premises for a more productive purpose.	The sanitation section has now been removed, and demolition has been planned once a suitable location is obtained for the disposal store.	Immediate action should be taken to utilize the assets for a more productive purpose.
(l)	Although a land area of 0.4401 hectares belonging to the Nuwara Eliya District General Hospital had been under unauthorized occupation by 12 persons from 7 families for nearly 15 years, no formal action had been taken in this regard.	The relevant information has been submitted to the Divisional Secretariat and the Ministry of Health and further action will be handled by the relevant authorities.	Appropriate steps should be taken to settle the land by taking action against the unauthorized occupants.
(m)	The land on which the Nuwara Eliya District General Hospital is situated had not been vested in the hospital, and the new hospital land and buildings, measuring 4.6824 hectares, had not been valued and brought to account.	The Valuation Department has been informed to carry out the valuation, and that the assets will be brought to account upon receipt of the report.	Action should be taken to vest the land and buildings in the hospital, and to value and record them in the accounts.
(n)	A plot of 15 perches belonging to the Nuwara Eliya District General Hospital had been transferred to the Nuwara Eliya Municipal Council for the construction of a community hall. However, the land was being used as a vehicle park, and no steps had been taken to recover the said land despite its not being utilized for the intended purpose.	The Divisional Secretary has been informed to re-transfer the land to the hospital.	Action should be taken to hold discussions with the responsible officers and to adopt appropriate measures.
(o)	Although, prior to undertaking development activities using government funds, action should have been taken to properly survey the relevant land, obtain a title deed for legally vesting the ownership, the land on which the Anuradhapura Teaching Hospital, developed with millions of rupees of local and foreign funds, has been constructed, has not been vested either in the hospital or in the Ministry of Health. As ownership of the hospital land has not been legally vested, its security could not be ensured. Moreover, a portion of the hospital land had been encroached upon by 12 unauthorized occupants, and although a court order had been issued to hand over possession	The Department of Survey commenced surveying activities in 2023 but discontinued them midway; however, since 17 March 2025, surveying of the hospital premises has been resumed, and upon completion, necessary steps will be taken to legally vest the hospital land in the Secretary of Health, take suitable measures against unauthorized occupants, and issue a transfer certificate	Action should be taken to vest the land ownership with the hospital and to take suitable measures regarding the unauthorized occupants in order to clear the property.

back to the hospital, by December 2024, the hospital administration had not taken action to regain possession of those lands. accordingly.

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| <p>(p) The incinerator installed in 2014 at the Anuradhapura Teaching Hospital for waste burning had been out of operation since 2022, and although approval had been granted by the Regional Procurement Committee in November 2022 to repair it at a tax-free cost of Rs. 392,895, by the audit date of 11 December 2024, neither repairs nor disposal of the machine had been carried out, and it had been allowed to deteriorate.</p> | <p>Due to the severe waste problem that has arisen at the hospital, a study is being conducted to determine whether this old machine can be repaired and reused, and if repairable, it is planned to utilize it for future waste management activities without disposing of it.</p> | <p>Action should be taken either to make effective use of the machine through repair or to adopt a suitable alternative measure without leaving it idle.</p> |
| <p>(q) Due to the failure to take necessary action to bring the Metamizer machine and the incinerator belonging to the Anuradhapura Teaching Hospital into operable condition, and the breakdown of the new incinerator, payments amounting to Rs. 39.95 million in 2023, Rs. 24.14 million in the first two months of 2024, and Rs. 49.09 million in August and October 2024—totalling Rs. 113.18 million—had been made to an external party for the disposal of clinical waste. Attention had not been paid to the possibility of minimizing such payments to an external party by repairing and utilizing these machines. Further, although the Kegalle Teaching Hospital had been provided with a Metamizer machine under the Clinical Waste Management Project implemented in government hospitals by the Ministry of Health, at a cost of approximately USD 701,335.83, it had been withdrawn from use from 25 April 2024 due to its breakdown and the lack of a system to dispose of the residual material.</p> | <p>As no suitable land had been designated for disposing of shredded waste, a large stock had accumulated around the hospital's sewage system, resulting in the Metamizer not being used for waste management for several years and a request had been made to the Ministry of Health to dispose of this machine. Moreover, the old incinerator was found to be inadequate for the hospital's capacity, required high maintenance costs, and frequent repairs, while it had been reported that the Ministry was to provide a new waste incinerator. Accordingly, use of the old machine had been discontinued, and instead, a supplier was selected for clinical waste disposal.</p> | <p>Responsible officers should take measures in a manner that ensures decisions are made without causing disadvantages to the government.</p> |
| <p>(r) The PET-CT Scanner purchased for the National Hospital of Colombo at a cost of USD 1,350,000 and installed at the Epilepsy Unit on 10 June 2016, had been used for only 13 days during the three-year warranty period, and for between 20 and 28 days per year from 2019 to 2023, for a very limited number of examinations. Since PET-CT scans, which</p> | <p>At that time, the examinations could not be commenced due to the absence of several accessories necessary to operate the machine, and the shortage of Radiation Technologists had further prevented the required</p> | <p>Attention should be paid to ensuring that all other facilities and accessories required for the operation of such equipment are made available prior to its installation.</p> |

require the radioactive substance FDG to be injected into patients, need an uninterrupted power supply for the machine, the Radiation Technologist had informed the hospital administration on 02 November 2023 that the batteries of the UPS (Uninterruptible Power Supply) system connected to the PET-CT Scanner had reached the end of their lifespan, but the requirement had not been fulfilled.

(s)	Of the 96 TECHIFINE (DC 12-100) UPS batteries received for the Epilepsy Unit of the National Hospital of Sri Lanka, only 32 batteries had been installed in the UPS equipment on 17 October 2023 and remained disconnected from the MRI Scanner circuit for nearly one year. Out of the remaining 64 batteries, 40 had been issued to the Lady Ridgeway Hospital for Children, while no records were submitted for audit regarding the use of the other 24 batteries. Although the supplier had not recommended connecting two types of batteries to the UPS system, instead of 64 batteries, 64 OPTI 100 (12V/100Ah) batteries manufactured in July 2023 in India, priced at Rs. 16,763 each and delivered without polythene coverings (seals), had been supplied. At the time of audit, about 14 months had lapsed without them being used, and no recommendation had been obtained from the responsible officers of the Biomedical Engineering Division regarding the potential loss of capacity of these batteries due to storage conditions of temperature and time, nor regarding the connection of two different types of batteries.	No reply had been presented.	Action should be taken against the responsible parties by conducting an independent investigation.
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4.7 Losses and Damages

	Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a)	Although the value shown in the losses and waive-offs statement prepared by the Ministry amounted to Rs. 31.98 million, according to the statements prepared by the hospitals and institutions, that value was Rs. 160.64 million. Accordingly, a difference of Rs. 128.66 million was observed.	No reply had been presented.	The differences should be identified and necessary corrections made, and the financial statements should be prepared based on accurate information.

(b) During the audit test check, it was observed that the following vaccine expiry records had not been documented due to the failure to update the record on damages of the Department of Epidemiology.		
(i) Under the Third Additional Financing for Sri Lanka COVID-19 Emergency Response and Health System Preparedness Project, 14 million doses of the Pfizer vaccine were purchased for COVID-19 at a cost of Rs. 16,102 million in December 2021 and January 2022. Although a request was made to submit information on the expired doses of these vaccines for audit purposes, the information had not been provided by 14 March 2025. According to the stock records of the central vaccine warehouse, a total of 20.7 million doses of the Pfizer vaccine received under this project and other programs had been recorded together, of which 7.5 million doses had expired within the central warehouse itself. The central vaccine warehouse did not have information on how many doses of the vaccines issued from the warehouse had expired at the respective institutions.	-Do-	Information should be submitted for audit, and in accordance with Section 42(a) of the National Audit Act No. 19 of 2018, any person who fails to provide the requested information or other evidence to the Auditor General should be treated as committing an offense.
(ii) Under the The Responsive COVID-19 Vaccines for Recovery Project, a total of USD 105 million was reimbursed, and the remaining amount was spent through the Ministry's financial allocations to purchase 16.86 million doses of the Sino pharm vaccine at USD 7 per dose. Of these, 1.78 million doses had expired within the central vaccine warehouse. Moreover, the central vaccine warehouse did not have information on how many of the vaccines issued from the warehouse had expired at the respective institutions.	-Do-	-Do-
(c) Losses amounting to Rs. 452.27 million related to 285 incidents of medicine damage and loss identified in the drug warehouses under the Medical Supplies Division from 2009 to 2020 had not been included in the losses and waive-offs statement of the financial statements.	-Do-	Financial statements should be prepared accurately by including all relevant information.

4.8 Uneconomic Transaction

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) In 2023, the Ministry spent Rs. 34.2 million to purchase 10 Automated Immunoassay/Hormone Analyzer (Mindray Clia 2000i) units, which were supplied to hospitals between 16 December 2022 and 28 June 2023. The commencement of testing using these devices was significantly delayed, and as of 23 January 2025, they had not been fully utilized. Accordingly, it was observed that this procurement had been carried out without studying the actual need, usage requirements, or the availability of other necessary resources. Under these circumstances, the expenditure of Rs. 13.68 million spent for four of these devices had been entirely unproductive. Although each device had the capacity to perform 49 types of tests, the hospitals had conducted only eight test types. If the actual need had been identified and devices purchased with the capacity to perform only those tests, it would have been possible to procure equipment at a lower units cost. Further examination of the equipment conducted relating to the Matale hospitals revealed that, even when underutilized, the devices required annual spending exceeding Rs. 12 million for consumables and reagents to operate automatically.	Of the specialized tests possible with the analyzers, only the five most commonly performed tests were being carried out as of the audit date. Conducting the remaining tests would require specific quality control (QC), calibrators, and reagents, which are very expensive and accordingly, only the five most commonly performed tests were carried out. Even though a single reagent pack can perform 100 tests, since that many tests cannot be conducted, spending a substantial amount additionally on calibrators, QC, and reagents for these tests is not cost-effective.	A comprehensive investigation into the procurement should be conducted, and accordingly, disciplinary action should be taken against the responsible officers.
(b) Although the Hydroclave biomedical waste management unit, which was received as a donation for the Mahamodara Teaching Hospital in 2009, remained unused from the date it was received, a clinical biomedical waste management unit (device) of the same brand had been purchased from the same company on 28 December 2023 to the German-Sri Lanka Friendship Women's Hospital. However, despite using this equipment, there was no reduction in the amount of infectious waste, moisture and foul odor persisted, and although a shredder could have been used, it was impractical and costly. Additionally, no certification was	Prior to supplying this waste management unit, no prior inquiry or recommendation was obtained from hospital authorities or officers with specialized knowledge on the matter. Although the unit's operation began after the opening of the new hospital, the Health Ministry was informed about the operational issues encountered. Subsequently, as a solution to the waste	Contracts should be executed in a manner that does not cause a loss to the government, and those responsible for any losses incurred should be identified and disciplinary action should be taken against them.

obtained from a microbiology specialist confirming that the Hydroclave unit was operating correctly. As a result, after being used for only about five days following the hospital’s opening, the unit became unusable for waste management purposes after 12 March 2024, rendering the expenditure ineffective. Consequently, due to entrusting a private supplier with the hospital’s clinical waste disposal, a total of Rs. 8.14 million was paid from May 2024 to the end of December 2024.

disposal problem, clinical waste was provided to the Sisilihenaro institution, which was then a contracted institution of the Health Ministry. Since our hospital is also included as a beneficiary institution under that contract, invoices for the service are settled in accordance with the terms of the contract.

(c) At Kegalle Teaching Hospital, an incinerator, costing approximately Rs. 17 million, was constructed and tested for operation by 07 June 2024 to burn about 365 kilograms of daily clinical waste, including waste that cannot be directly discharged into the general environment. However, due to the hospital staff not receiving proper training and the incinerator not being formally handed over to the hospital, the waste had to be removed by a private company at a cost of Rs. 185 per kilogram (excluding VAT), resulting in an ineffective annual expenditure exceeding Rs. 24 million.

Since the incinerator has not been formally handed over to the hospital at an operational level, clinical waste continues to be sent to an external institution under the Ministry’s approval. Once the incinerator is fully operational and handed over to the hospital, the transfer to external institutions can be discontinued.

A formal investigation should be conducted, and accordingly, disciplinary action should be taken against the responsible officers.

(d) The Kegalle Teaching Hospital purchased four machines valued at Rs. 34,485,827 in 2019, 2020, and 2021 without conducting a formal feasibility study regarding the necessity and operational functionality of the machines. As a result, these machines remained idle, neither being utilized nor transferred to other hospitals where they were needed.

With regard to the Urine Analyzer, necessary reagents have now been requested, and steps have been taken to commence testing. Efforts are also underway to identify other hospitals requiring the machines and to formally hand them over to those institutions.

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4.9 Failure to Respond to Audit Queries

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
Although the Chief Financing Officer should have ensured that all audit inquiries were responded to within the specified timeline required by the Auditor General, as of 20 April 2025, the number of unanswered audit inquiries stood at 117, of	Since audit inquiries must be referred to the Ministry of Health and other relevant hospitals and institutions for clarification, some delays	Action should be taken to respond to audit inquiries within the specified timelines.

which 27 inquiries had remained unanswered for more than a year.

occurred in obtaining responses. As a result, as of 20 April 2025, five audit inquiries had been pending for more than a year. Efforts are being made to provide responses within the prescribed time whenever possible.

4.10 Management Weaknesses

	Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a)	The following observations were made regarding the supply of raw food and the provision of cooked meals to patients and junior staff at Ratnapura Teaching Hospital.		
(i)	Examination of the supply of raw food from January to October 2024 revealed that essential items such as fish, vegetables, eggs, milk powder, oranges, and avocados were not provided on many days, affecting the provision of nutritionally adequate meals to patients.	During this period, due to market shortages of eggs and milk powder, suitable substitutes were supplied as per the agreements. However, orders for avocados, jelly, and Samaposha exceeded the monthly limits specified in the agreements at the time of placing orders, and therefore they were not obtained, while the supply of fish and vegetables faced difficulties in some instances.	Measures should be taken to ensure that approved nutritious meals are provided to patients, and accurate estimates should be prepared.
(ii)	Attention was not paid to market price fluctuations when calling for quotations and determining maximum prices for raw food. As a result, for 16 raw food items, prices paid exceeded the market rates, causing a loss of Rs.9,462,819 to the government in 2024.	No responses have been submitted.	Contracts should be entered into in a manner that avoids losses to the government, and responsible officers should be identified and disciplinary action against them should be taken for the losses incurred.

	(iii) During September and October 2024, the number of employees who ordered food but not received was 644 in the morning, 2,236 at noon, and 2,032 at night. Consequently, large quantities of food remained as leftovers, which were not recorded in the registers.	It has been notified to ensure that such occurrences do not happen in the future, to carry out proper supervision, and to keep accurate accounting.	Action should be taken to establish a formal methodology.
(b)	According to the amended agreement for cleaning services at Ratnapura Teaching Hospital signed on 30 July 2024, payments should have been made only after certification by the relevant officers that all departmental work had been satisfactorily completed, in accordance with Clause 10 of the agreement. However, a sum of Rs.34.77 million was paid to the contract institution for January, February, and March 2024 without obtaining details on the cleaning progress for that period.	These bills correspond to prior months of January, February, and March 2024. Due to a shortage of stationery during that period, progress was obtained only once for the three months. Consequently, payments were made by verifying vouchers based on the progress reports obtained in relation to the said three months, due to not reporting identified daily issues.	Payments should be made only after confirming that the service has been satisfactorily performed.
(c)	At the Kuliapitiya Teaching Hospital, only five dialysis machines are available, and as of the audit date in February 2025, 42 patients were receiving dialysis treatment at the hospital, while critically ill inpatients from other wards were also referred to this unit for emergency treatment. Another 42 patients requiring dialysis were on the waiting list, of whom three had been reported dead. Out of the reported patients, 16 within the hospital's area of authority were receiving dialysis at other hospitals. It was observed at the time of audit that there is an urgent need to increase the number of dialysis machines to minimize the risk to patients' living in the area of authority, but there is also a problem of insufficient space within the hospital premises. Although the number of patients increased after the hospital was upgraded to a Teaching Hospital, the essential facilities had not been expanded accordingly.	It was further observed that no new ward or unit with proper facilities for patient care had been constructed within the last five years, and therefore, the basic foundation had been laid to expand the existing five-story building housing the dialysis unit. However, there were practical difficulties in allocating space from nearby wards and units for the dialysis unit. Moreover, it was observed that patients provided opportunities for dialysis at nearby hospitals often failed to attend their scheduled treatment sessions due to economic and social reasons. Accordingly, the infrastructure and patient care facilities of the hospital should be expanded without delay to ensure dialysis	The patient care services should be provided adequately by improving the essential facilities.

services can be provided to the patients who require them.

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| (d) | Despite the expiry of 53 types of reagents and antibodies required for the analyzers used in Immune Histo Chemistry (IHC) testing, a specialized examination for the diagnosis of cancer at the Histopathology Laboratory of the National Hospital, Kandy, and 39 types of IHC markers used for biopsy examinations, for periods ranging from one month to 14 years as of 17 November 2023, they had still been used for testing. | The Automated Slide Stainer machine used for biopsy sample examinations at the Histopathology Laboratory of the National Hospital, Kandy, had been repaired and was in working condition, and that it was being used continuously after the completion of repairs on 11 December 2024. | Measures should be taken to order and store test materials in correct quantities so that they do not expire. |
| (e) | According to information provided by three radiology specialists at the National Hospital, Kandy, as of 06 March 2024, there were 1,738 patients on the CT scan waiting list. The waiting period for these patients extended until 12 March 2026, and it was observed that a patient had to remain on the waiting list for nearly two years to undergo a CT scan. | This situation had arisen due to the shortage of human and physical resources at the hospital; however, steps are being taken to minimize the situation by approving incentive allowances for additional duty, developing infrastructure facilities, and improving data storage facilities. | Action should be taken to provide patient care services adequately by enhancing essential human and physical resources. |
| (f) | For the performance of eight types of ultrasound scan examinations at the National Hospital, Kandy, 14 waiting lists had been maintained for 10,551 patients under three doctors as of 06 March 2024. Accordingly, patients had to remain on the waiting list for periods ranging from 2 months and 21 days to 9 months and 20 days to undergo these examinations. | Requests have been made to the Ministry of Health for new medical equipment as well as other required human and physical resources to minimize this situation. In addition, about 300 cancer patients are registered and treated daily, and their treatment procedures require ultrasound scan examinations to be performed both before and after radiotherapy and chemotherapy. Further, ultrasound scans must be performed in cases where CT scans cannot be carried out for highly sensitive organs. | Action should be taken to establish a procedure based on scientific grounds to provide patients with a better service. |
| (g) | According to recommendation 8.30 of the Auditor General's Special Audit Report dated 14 March 2018 on the process of medical | At present, necessary arrangements have been completed to store medical | The renovation of the sample storage facility should be completed |

supplies carried out by the Medical Supplies Division of the Ministry of Health, Nutrition and Indigenous Medicine, it was recommended that, since the quality of medical supplies deteriorates when not stored within the required temperature ranges, the samples and the receipt samples of procured drugs should be stored until the relevant stock is issued to hospitals and fully utilized. However, even by 31 December 2024, nearly seven years, the required arrangements to establish such a sample storage facility had not been made, and it was observed during the physical inspection that the air-conditioned store allocated for this purpose had not been utilized at all up to the date of audit.

supplies within the required temperature ranges with a functioning central air conditioning system. Although the Medical Supplies Division does not obtain tender receipt samples, it was reported that the sample storage facility intended for storing the relevant samples upon delivery of medical supplies was scheduled to be completed by 31 May 2024. However, due to technical issues, the CEEB institution was unable to complete the work, and the activities were at the final stage by now. expeditiously and used for the intended purpose.

- (h) It was observed during the audit that, in 2024, the Medical Supplies Division had paid demurrage and warehouse charges amounting to over Rs. 321.38 million on 38 occasions for the clearance of medical supplies received as donations from foreign institutions. Out of this, on seven occasions, Rs. 115.45 million had been paid as demurrage and warehouse charges, including Rs. 65.33 million as electricity costs for cold rooms. The delays had arisen due to the lack of proper coordination in handling foreign donations received for hospitals and healthcare institutions in Sri Lanka, which caused delays in the receipt of documents by the Wharf Section of the Medical Supplies Division and in obtaining approvals from the National Medicines Regulatory Authority, taking between 26 and 306 days. Consequently, in eight instances, demurrage and warehouse charges exceeding Rs. 10 million had been paid for the clearance of donations. In certain cases, due to the Wharf Section not receiving prior notifications, the clearance process had been delayed, and the Port had issued auction notices for the relevant consignments. It was also observed at the sample audit test that the demurrage charges incurred for the clearance
- The Chief Internal Auditor was directed to inquire and report on this matter, and that further necessary action will be taken based on that report. An independent investigation should be conducted and necessary action taken accordingly.

of lorries, cabs, and medical equipment had been met from the item of expenditure allocated for the purchase of medicines by the Medical Supplies Division.

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| (i) | Due to the failure of the Medical Supplies Division to manage the issuance of medical supplies to hospitals as required, the Kurunegala Teaching Hospital and the Kegalle General Hospital had purchased medicines valued at Rs. 10,782,466 and surgical items valued at Rs. 3,184,000 under local procurement in 2024, while 26 types of medicines received by the Kurunegala Teaching Hospital from the Medical Supplies Division, valued at over Rs. 50,445,026, remained stored in the corridors of the ground and first floors of the drug store building as of 27 February 2025. Accordingly, the period of storage in the corridors had ranged from 02 days to about 01 year and 07 months. | A reply has not been submitted. | -Do- |
| (j) | In 2024, the Medical Supplies Division had taken between 04 and 46 days to grant approval for the Kegalle General Hospital, on 55 occasions, to purchase medicines and surgical items valued at Rs. 2,680,284 under local procurement, and for the Negombo District General Hospital, on 10 occasions, to purchase 09 chemical items valued at Rs.308,725. | A reply has not been submitted. | -Do- |
| (k) | The centralized air conditioning systems installed within the hospital network are an essential factor for the safe functioning of surgical activities, as they continuously remove air containing harmful pathogens generated during surgeries. Accordingly, although centralized air conditioning systems are vital for hospitals, 04 out of the 08 systems at the Kandy National Hospital, valued at over Rs. 50 million, had remained inactive for periods ranging from 04 months to 25 years. | As the engineers of the Ceylon Electricity Board and the Ministry of Health had recommended that repairs would not be economically viable, measures have been underway for several years to install a new centralized air conditioning system, and at present, the procurement process for supplying and installing a new chiller unit for the DU section is in its final stage. | Immediate action should be taken to install an air conditioning system. |

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| (l) | <p>A ventilator is an essential device for specialized pediatric treatment units, and a compressor is indispensable for its operation. At the Gampola Base (Teaching) Hospital, where nearly 200 children receive treatment monthly in the specialized pediatric treatment unit, the two compressors used for supplying medical gases to the unit had remained out of order since 2018. One of them was reported by the biomedical engineer to be beyond repair, while the other too had been nonfunctional since 18 December 2023.</p> | <p>At present, the ventilator is being operated without difficulty using medical gas cylinders, ensuring that treatment for premature infants continues without disruption. Meanwhile, bids invited for the installation of a medical gas system have been referred to the Ministry Procurement Committee.</p> | <p>Immediate action should be taken to install the medical gas system.</p> |
| (m) | <p>The Health Services Act No. 12 of 1952, which was enacted with the objectives of conferring statutory powers on the Department of Health Services, defining its responsibilities, appointing Regional Hospital Boards and Hospital Committees, and ensuring more effective public health administration by local authorities, had not been amended by the responsible parties to suit present circumstances. Although this Act should have been amended following the 13th Amendment to the Constitution of the Democratic Socialist Republic of Sri Lanka and the enactment of the Provincial Councils Act No. 42 of 1987, no action had been taken up to 2024. The manner in which the Department of Health Services and its divisions established under Sections 2(1) and 2(2) of the Act currently operate, the effect of these provisions on Provincial Departments of Health Services established along with the functioning of Provincial Councils, and the enforcement of these provisions given that the central Department of Health Services is not currently functioning, had been requested to be clarified. However, despite nearly 21 months having elapsed, no definite response had been submitted to audit. The National Health Council, established under Section 4(1) of the Act, had not convened after 2006. Although under Sections 9(1) and 11(1) of the Act the Minister in charge should appoint Hospital Boards and Hospital Committees and publish them in the Gazette, action had not been taken accordingly. No</p> | <p>Following the appointment of relevant Hospital Committees, action will be taken to publish them through a Gazette notification, to obtain annual reports from the Hospital Committees as required under Section 14, and to conduct follow-up inquiries regarding hospitals that fail to submit such reports.</p> | <p>The responsible parties should take action to amend the Act in line with present changes.</p> |

Hospital Boards had been appointed by the Ministry for any hospital, and Hospital Committees had been appointed only for 37 hospitals. Furthermore, as required by Section 10(5), copies of committee meeting minutes, and as required by Section 14, annual reports, should have been submitted to the Ministry, but out of the 37 hospitals with Hospital Committees, only 08 had submitted annual reports and none had submitted committee meeting minutes.

- (n) The vehicle bearing number PA-6192, owned by the Ministry of Health, met with an accident on 02 January 2014 in the Mudungama area, Polonnaruwa. After more than ten years had passed since the accident, a committee was appointed only on 05 July 2024 to conduct an inquiry under Financial Regulation 104. An insurance claim had been submitted, but as the insurer's investigation confirmed that the driver named in the claim form was not the person who had actually been driving at the time of the accident, the Secretary of Health was formally informed on 20 March 2014 that no compensation would be paid. Although legal advice had been sought from the Chief Legal Officer in this regard, no evidence of such advice being given was submitted for audit. Even though nearly eleven years passed since the accident, by December 2024, the vehicle remained unrepaired and parked at a garage in Mulleriyawa. On 28 March 2016, the Director General of Health Services had sought the Attorney General's advice, and on 07 September 2018, the Attorney General's Department informed him to act in accordance with Cabinet Decision No. 75(i)(c) of 22 May 2018, as both parties were state institutions. Even until December 2024, no action had been taken in accordance with the Attorney General's instructions. The file of the vehicle, which had been assigned to the staff of the Minister in charge of the subject at that time, had been brought to the Minister's office and subsequently misplaced, and no formal inquiry was conducted regarding the misplacement of the file either. On 18 November 2020, the
- Though an inquiry under Financial Regulation 104(1) should have been initiated, the Transport Division has no information to confirm such an inquiry, and only in 2024 a committee has been appointed to commence proceedings as per Financial Regulation 104(1). It has been informed by the Deputy Director General (Investigations) through letter No. CF/DPM/Gen/2019 dated 13 February 2024 that no records had been reported regarding the accident of the aforesaid vehicle in 2014. According to the audit observation, a letter had also been sent to the Senior Assistant Secretary (flying scuard) to hold an inquiry. Due to the failure to obtain legal advice regarding the repairs to the vehicle, relevant repairs could not be carried out. The Sri Lanka Insurance Corporation, by letter No. LO/13/2014 dated 09 April 2021, was informed to nominate an authorized officer capable of taking decision regarding the recovery of losses from this accident, but the Transport Division was not informed of
- Action should be taken under Financial Regulations 102(a) and 104(1), and disciplinary measures should be implemented in line with the Attorney General's instructions regarding the failure to provide legal advice, the misplacement of the file, and the non-repair of the vehicle.

Director (Transport) had also sought advice from the Chief Legal Officer on the possibility of repairing the vehicle using government funds, but no response had been given. the decisions taken at that meeting.

(o) A total of 473 files relating to 414 vehicles owned by the Ministry of Health had been disposed of in 2022, and the following matters were observed in this regard.

(i) The special audit report on vehicle management of the Ministry of Health, Nutrition, and Indigenous Medicine issued by the Auditor General on 22 April 2019 highlighted a number of internal control weaknesses relating to the Ministry's vehicle management. This special audit report also revealed that a large number of Ministry vehicles had been misplaced or that information regarding them could not be traced. By the time the vehicle files were disposed of in 2022, adequate information had not been obtained regarding the vehicles identified in that special audit report as either misplaced or lacking information. Out of the vehicle files that had been disposed of, 17 belonged to vehicles which had been reported in the said special audit report as misplaced or lacking information, whereas those files had been disposed of.	It was observed that by examining vehicle repair files, it may have been possible to trace the divisions to which the vehicles had been assigned at the time; however, it was not possible to ascertain whether the vehicles had been disposed of or transferred to another institution.
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An inquiry should be conducted regarding the dispose of the files of vehicles identified in the special audit report as either misplaced or lack of information.

(ii) According to audit queries issued to examine the actions taken by the Ministry regarding the observations highlighted in the special audit report and the progress of implementing the recommendations made therein, it was revealed that the files of 196 vehicles identified as misplaced or lacking information had also been disposed of in 2022.	Vehicle repair files that had remained inactive and deteriorating for years had been disposed of, and through the examination of those files it was not possible to determine whether the vehicles had been disposed of or transferred to another institution.
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- (p) The Director General of Health Services had informed on 03 July 2001 that the Judicial Medical Officer serving at the Kalutara General Hospital, who had been interdicted with immediate effect by letter No. MH/FS/28/2001 dated 03 May 2001 of the Secretary to the Ministry of Health, would be paid half salary for the interdicted period. While under interdiction, when a charge sheet was served on him on 09 March 2002, this medical officer had proceeded abroad without formal approval. Accordingly, by letter dated 10 March 2003, the Director General of Health Services informed in writing that he was considered to have vacated his post with effect from 01 June 2002. His personal file maintained at the Administration (Medical Services II) Division of the Ministry of Health had not been produced for audit. The personal file of the said medical officer presented for audit by the Kalutara Teaching Hospital did not contain evidence that a formal letter of appointment had been issued to him as required under paragraph 8.1 of Chapter II of the Establishments Code. Although a sum of Rs.415,100 had been granted to the said medical officer as a vehicle loan on 27 November 2000, evidence of recovery of the said loan was not presented for audit. Although more than 20 years and 7 months had elapsed since the interdiction of the said medical officer, a balance of Rs. 337,000 remained recoverable from a distress loan as at 31 December 2021. Further, the personal file presented for audit did not contain the letter relating to confirmation of his appointment. Although it had been informed that progress in implementing the recommendations made by the preliminary inquiry conducted against the medical officer, and that a complaint would be lodged with the Sri Lanka Police regarding the misplacement of the personal files of 38 medical officers, no progress thereof was produced for audit.
- The fact that after a one-year internship appointment, the medical officer shall be appointed as a Medical Officer in Primary Grade and that after two years of service in Primary Grade, the officer shall be promoted to Grade II, that after three years of service in the Primary Grade appointment, he shall be confirmed in the post, that action will be taken regarding the granting and recovery of the vehicle loan. The relevant divisions have been informed to provide progress on the implementation of the recommendations made by the preliminary inquiry report and the information relating to the 38 requested personal files, and the said information will be submitted later.
- The officers responsible for the misplacement of the personal file should be promptly identified and disciplinary action taken, and action should be taken in accordance with the relevant provisions of the Establishments Code. The loan granted should be recovered without delay, and action should be taken to provide the information requested by audit.

- (q) The following matters were observed concerning the repair of the vehicle bearing No. NB-2699 owned by the Ministry.
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| <p>(i) The driver had informed by an undated letter that it was difficult to shift the gears of this vehicle, and according to the recommendation given by the Transport Officer on 19 March 2024, an estimate was called from the agency on 05 April 2024. The agency submitted an estimate of Rs. 204,895 on 29 April 2024, and the vehicle was referred to the said institution on 05 June 2024 for the repair at that cost. The agency had submitted an invoice of Rs. 198,523 on 11 June 2024 for the said repair, and the payment had been made. However, on 29 August 2024, while travelling on the expressway, the vehicle stopped due to the jamming of the gear.</p> | <p>Based on the driver's request to inspect and repair the difficulty in shifting gears, an estimate was obtained from the relevant agency, and an estimate of Rs. 204,895.20 was submitted regarding a defect in the clutch system. The repair was carried out, and the invoice of Rs. 198,523.20 submitted by the agency was settled on 03 July 2024.</p> | <p>A comprehensive investigation should be conducted, and accordingly, disciplinary action should be taken against the responsible officers.</p> |
| <p>(ii) Subsequently, the vehicle was referred to the agency, and an estimate of Rs. 985,789 was provided on 29 August 2024. While stating that the agency had expressed the required spare parts were not available with it, quotations had been called from another institution on 13 September 2024. Accordingly, an estimate of Rs. 488,100 was submitted, and the vehicle was repaired for that amount. Thus, for the same defect, two different repairs had been carried out on two occasions, and the report proposed to be obtained from the agency was not submitted to the audit. Further, it was not confirmed that the old spare parts removed from the gear system of the vehicle after the repair were handed over to the agency for inspection along with the letter requesting the said report.</p> | <p>Continuous inquiries were made in this regard and it was verbally informed that necessary arrangements would be taken to submit the said report promptly, since information should be obtained from the persons engaged in the services of the institution.</p> | <p>The report proposed to be obtained from the agent should be submitted to the audit regarding the carrying out of two different repairs on two occasions for the same defect.</p> |
| <p>(iii) Although the estimate of Rs. 359,765 submitted by the agency on 14 June 2024, for the replacement of the vehicle radiator had proposed carrying out the repair using genuine Toyota spare parts, the formal approval obtained to carry out</p> | <p>A written clarification has been requested from the agency regarding the higher prices of local spare parts compared to genuine spare</p> | <p>The formal approval relating to the repair and the reasons for the higher prices of local spare parts compared to genuine Toyota spare</p> |

	the repair with local spare parts instead of genuine Toyota spare parts had not been submitted for audit. Furthermore, the reasons for the prices of certain local spare parts being higher than those of genuine Toyota spare parts had not been presented for audit.	parts.	parts should be submitted for audit.
(r)	Approval had been granted in 2022 to upgrade the Polonnaruwa District General Hospital to a Teaching Hospital, and by letter No. HM/CF01/FR135/2025 dated 31 December 2024 of the Secretary of the Ministry of Health and Mass Media had delegated the financial powers applicable to a Teaching Hospital. However, as of the audited date of 19 February 2025, the Gazette notification for upgrading it to a Teaching Hospital had not been issued, nor had action been taken to revise the staff cadre applicable to a Teaching Hospital.	The Gazette notification required to convert Polonnaruwa District General Hospital to a Teaching Hospital has not yet been issued, and many improvements to clinical services necessary for the upgrade have already been carried out.	Action should be taken to issue the Gazette notification for upgrading it to a Teaching Hospital.
(s)	Although the cardiology catheterization service at Polonnaruwa Teaching Hospital operates 24 hours a day, by 10 February 2025, a total of 192 patients had been placed on the priority list until June 2025, and 1,517 patients had been placed on the routine waiting lists until the end of 2026. However, attention had not been paid to increasing the capacity of this unit to minimize the waiting period of patients on the lists.	Due to the unavailability of financial facilities, construction had not been carried out, but the hospital administration had focused on enhancing the capacity of the cardiology unit under new development projects for the years 2025–2026.	Immediate action should be taken to expand the capacity of the cardiology treatment unit.
(t)	Although approximately 200 kg of clinical waste was generated daily, a proper disposal system had not been established at Kuliyaipitiya Teaching Hospital, resulting in waste being accumulated within the hospital premises. Furthermore, since the operation of the Metamizer machine had been halted from 25 April 2024, a large volume of accumulated clinical waste posed a severe environmental and health hazard, which led to the payment of Rs. 9,203,950 to a private company in December 2024 for removal of such waste. The private sector determined charges based on weight, and during rainy weather, water retention increased the weight of the waste, which in turn raised disposal costs. In addition,	At present, infected waste from this hospital is accepted only by Chilaw General Hospital, limited to 4,000 kg per month, and since the machine there periodically breaks down, waste is sometimes not accepted for as long as five months. To prevent health risks caused by accumulated and newly generated clinical waste being exposed to rain, construction of a covered storage facility has been initiated. Since clinical waste must be	Waste disposal should be managed in a systematic manner.

a large quantity of non-clinical waste, such as discarded glassware and electronic waste, had also been accumulated within the hospital premises. Hence, the absence of a proper waste disposal system in the hospital had resulted in excessive expenditure as well as significant environmental and health issues.

removed as soon as possible, available opportunities have been utilized to dispose of the waste. In addition, bottles containing carcinogens such as xylene and formalin had also been handed over to a private institution after a tender process.

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| <p>(u)</p> | <p>It was observed that the information recorded in the night attendance registers maintained by the German Sri Lanka Friendship Women's Hospital and the hospital's Security Office differed from each other, and that payments had been made without proper verification of the accuracy of night duty attendance of security officers and without adequate supervision. Accordingly, during the audit test check period from 01 July 2024, to 31 December 2024, a total of Rs. 2.859 million had been irregularly paid based on irregular attendance and departure records.</p> | <p>As pointed out by the audit, instructions have been issued to resolve this issue by establishing an internal mechanism whereby confirmation of the deployment of security officers for night shifts is obtained through the night duty reports submitted by the hospital overseer, and to make future payments accordingly. Further, as per the audit query, arrangements had been made to recover overpayments, if any, through future bills.</p> | <p>Payments should be made only after proper verification of attendance accuracy and adequate supervision, and any excess amounts paid should be recovered.</p> |
| <p>(v)</p> | <p>From 01 January 2024, the German Sri Lanka Friendship Women's Hospital had not taken action either to recover the outstanding bills amounting to Rs. 2.94 million from the contractor or to deduct it from payments due to the contractor. Furthermore, since only the monthly electricity charges had been paid, by 31 January 2025, an accumulated amount of Rs. 27.23 million comprising arrears and surcharge remained payable to the Ceylon Electricity Board.</p> | <p>As there had been an account balance in respect of electricity bills as of 31 December 2023, difficulties had arisen in settling the surcharge when paying electricity bills. Therefore, until proper confirmation was received from the Ceylon Electricity Board regarding the inclusion of the surcharge in the monthly bills, only the monthly electricity charges had been paid. However, according to the audit query discussion held on 22 April 2025, action had been taken to settle the bills including surcharge from March 2025, and further discussions were</p> | <p>Action should be taken either to recover the arrears and surcharge or to deduct them from payments to the contractor, and a proper procedure should be established to ensure that bills are settled within the stipulated time so as not to pay surcharge.</p> |

conducted with the Ceylon Electricity Board on 25 April 2025, and action was taken to obtain the relevant account statements.

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| (w) | <p>From January to August 2022, due to a technical error in the meter reading process of the Ceylon Electricity (Private) Company for Mahamodara Teaching Hospital, meter readings had been incorrectly recorded on the bill. Although corrected bills were to be issued and an outstanding amount of Rs. 3.62 million should have been paid to the company, the payment had not been made up to the audited date. Furthermore, for the period from November 2015 to October 2021, electricity charges for Mahamodara Nursing School were not calculated according to the Government Tariff (GV category), resulting in an overpayment of Rs. 2.96 million to the Ceylon Electricity (Private) Company, and that excess payment had not been recovered.</p> | <p>As per the audit query, due to the failure to calculate electricity charges correctly, Rs. 3,235,697 should be recovered and credited to government revenue. Although the LECO company had been repeatedly notified in writing and verbally about the amounts to be recovered, no response had been received. It was also noted that no further overpayment had occurred, and that LECO had informed that if a previous application had been submitted regarding this matter, the relevant information should be provided. However, since the specific details could not be obtained, a new application was submitted to expedite the resolution of this issue. Accordingly, the amount of Rs. 3,624,263 remains unpaid, and a request has been made to LECO to set off the values of the hospital's two electricity supplies and pay the remaining balance.</p> | <p>Action should be taken both to recover the overpaid amounts and to pay the outstanding dues.</p> |
| (x) | <p>Although the number of tests should have been considered when paying specimen allowances, the National Hospital Kandy had instead calculated allowances separately for the components included in the tests, resulting in overpayments of Rs. 258,502 to Medical Research Technologists and Rs. 57,500 to Laboratory Test Assistants in August 2023.</p> | <p>Since payments for specimen allowances were made in accordance with the procedures prescribed in General Circular No. 02-117-2001 issued by the Ministry of Health on 30 October 2001, it is not observed any overpayment as mentioned in the inquiry.</p> | <p>Action should be taken urgently to issue new circular instructions in line with previous recommendations given by the Committee on Public Accounts and the Auditor General.</p> |

(y)	The Medical Laboratory Technicians' Training School, comprising three floors, situated on the Peradeniya Teaching Hospital premises, was assigned to the hospital to expand its services in accordance with the letter No. ETR/D/MLT/09/2023 dated 11 March 2024 of the Secretary of the Ministry of Health. However, at the time of handover, due to the absence of proper planning and necessary decisions regarding the utilization of human and physical resources, including the five-member staff, inventory items, laboratory equipment, chemicals, and library books, the said resources remained underutilized as of 31 December 2024.	Arrangements have been made to attach laboratory technicians to the laboratory of the Peradeniya Teaching Hospital, and the Secretary of the Ministry of Health has been informed to obtain approval for providing the library books to universities or government schools. The Chief Accountant of the Ministry's Asset Management and Stores Verification Division has granted approval for the proper distribution of the institution's equipment, apparatus, and consumables to the relevant institutions.	Steps must be taken to utilize the Training School's human and physical resources at their optimum level.
(z)	There are 65 government quarters for the married officers within the Nuwara Eliya District General Hospital, which have not been properly categorized as either scheduled or unscheduled, and the procedures for rent collection specified in the Establishments Code have not been followed. Furthermore, a house obtained on a rental basis for Rs. 990,000 to provide facilities was not rented out as prescribed manner, and it resulted in a loss of Rs. 679,968 to the government.	Information regarding scheduled houses was requested from the District Health Services Director, who stated that such information was unavailable; accordingly, steps are being taken to re-schedule them, and before obtaining the house on a rental basis, prior approval had been obtained from the Deputy Director General (Supplies).	Action should be taken to recover the rent in accordance with the Establishments Code, and any outstanding rent must be recovered and confirmed it to the audit.
(aa)	Under the Australian Loan Assistance program, the Ministry of Health supplied a Metamizer machine, costing approximately USD 701,335.83, to Chilaw General Hospital on 16 June 2017 under the Clinical Waste Management Project implemented in government hospitals. However, since clinical waste at the hospital has been incinerated using the incinerator provided in 2021, the Metamizer machine was no longer required. The hospital repeatedly requested the Ministry Secretary to remove the machine from the hospital premises to make space for patient accommodation, yet as of the audit date, 12	Neither the Ministry of Health nor the private company Biomed International took any action in this regard, and during 2023–2024, the hospital continued to state that the Metamizer machine was unnecessary and requested its removal to free space for patient accommodation.	Assets should be properly managed, and disciplinary action should be taken against officials who failed to take action in this regard.

March 2025, the machine remained idle on the hospital grounds.

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| (ab) | <p>The sewage system installed at Anuradhapura Hospital has been inactive for over three years, and waste/wastewater discharged from the hospital is gradually discharged into the tanks and canals connected to the Malwathu Oya, which supplies drinking water to the city of Anuradhapura city, without adhering to health-safe environmental procedures. Although the Central Environmental Authority issued warning letters on several occasions, no necessary actions have been taken so far.</p> | <p>The current system's capacity is insufficient at present, and until a system with modern technology is installed, several discussions were held with the Anuradhapura Municipal Council and the Urban Development Authority to identify the system's deficiencies and promptly restore them. We have already taken several steps to repair this system, and upon completion of these activities, its progress will be reported to you in the future.</p> | <p>Waste disposal must be managed in an orderly and proper manner.</p> |
| (ac) | <p>The Metamizer machine installed on the premises of Anuradhapura Teaching Hospital to shred waste components, under the Clinical Waste Management Project implemented by the Ministry of Health under the Australian Loan Aid program, has remained inactive and has been gradually deteriorating since 2022. The waste and clinical waste components previously shredded by the machine have been observed to remain unsecured and accumulated on the hospital grounds, along the stream channels within the hospital premises, for over two years. No measures have been taken to prevent this waste from entering the streams and channels.</p> | <p>Since the Central Environmental Authority had not designated an approved site for the disposal of waste shredded by the Metamizer machine, the shredded waste has accumulated within the hospital's sewage system. Efforts have been made to call for quotations for the disposal of this clinical waste, and the matter is currently under review by the bid evaluation committee. Once these actions are completed, action will be taken to properly dispose of the shredded waste accumulated in the sewage system.</p> | <p>-Do-</p> |
| (ad) | <p>According to Extraordinary Gazette No. 2264/18 dated 27 January 2022, issued imposing regulations under Section 23(a) of the National Environmental Act, No. 47 of 1980, Anuradhapura Teaching Hospital is required to obtain an environmental protection license from the Central Environmental</p> | <p>Due to deficiencies in the wastewater treatment system, clinical waste disposal, and non-clinical waste disposal, the hospital has been unable to obtain the environmental protection license from the</p> | <p>Steps must be taken to obtain the environmental protection license.</p> |

Authority. However, the hospital has not complied with the regulations necessary for issuing the license, and therefore, the environmental protection license has not been granted since 2017.

Central Environmental Authority to date. The hospital is currently implementing several corrective measures to address these deficiencies, once these actions are completed, it is expected to submit an application to obtain the environmental protection license.

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| <p>(ae)</p> | <p>The ambulance bearing number LW-1558 met with an accident on 22 June 2021, resulting in a loss of approximately Rs. 2,698,925. The vehicle has remained non-operational at Kegalle Teaching Hospital for over three and a half years without undergoing repairs. Failure to conduct a proper inspection under the Financial Regulations related to accidents contributed to repairs not being carried out. At the time of the accident, the vehicle was in use without any insurance coverage, and accordingly, it is impossible to recover the loss. Further, no efforts were made to recover the amount by identifying the other responsible parties.</p> | <p>The preliminary investigation regarding this matter has now been completed, and steps are being taken to identify those responsible and submit the related report to the Ministry.</p> | <p>Action should be taken to conduct a proper investigation, identify the responsible officers, initiate disciplinary measures against them and recover the loss.</p> |
| <p>(af)</p> | <p>The UNICEF had provided 10 refrigerated lorries and 21 double cab vehicles to the Epidemiology Unit in 2024, and the following matters were observed in this regard.</p> | | |
| | <p>(i) Although the 10 lorries were brought to the port on 20 February 2024, delays of nearly three months in clearance caused the payment of Rs. 66.38 million in customs and clearance charges and an additional Rs. 36.19 million in warehouse charges. Furthermore, after clearance, the vehicles remained idle in the Medical Supplies Division premises for about eight months from 28 June 2024 until registration.</p> | <p>No reply has been submitted.</p> | <p>Disciplinary action should be taken against responsible officers by conducting a formal inquiry, and measures should be implemented to prevent these incidents.</p> |
| | <p>(ii) Despite incurring Rs. 102.57 million for clearance, the Ministry officials had</p> | <p>-Do-</p> | <p>-Do-</p> |

failed to promptly fix side covers and complete registration of the lorries. As a result, keeping them idle at the port and at the Medical Supplies Division yard for nearly a year posed risks of mechanical defects and battery failure, leading to additional costs. Further, parking them in the Medical Supplies Division premises created obstructions to access the containers and lorries carrying medicines.

- (iii) To facilitate vaccine distribution and to ensure efficient delivery of vaccine to field immunization clinics, UNICEF provided 21 double cab vehicles. However, it was observed during the audit that Rs. 144.91 million was paid as customs and clearance fees, Rs. 5.85 million as warehouse charges for 51 days at the port, and Rs. 1.03 million as insurance. These warehouse charges and insurance charges were borne from the drug procurement Object of the Medical Supplies Division, and due to the depletion of Ministry allocations, a further Rs. 7.52 million remains payable as clearance charges.

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- (iv) It was observed during the audit that 07 out of the 21 double cab vehicles cleared were allocated to other units under the Ministry of Health, instead of the Offices of Regional Directors of Health Services and Offices of Medical Officer of Health identified as priorities at the time of requesting such vehicles from UNICEF, thereby deviating from the original objectives.

The fact that new hospitals were brought under the Line Ministry and accordingly, vehicles available in the Ministry were allocated to improve transport facilities of those hospitals, and that these double cab vehicles were provided to officers based on service requirements.

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- (ag) During the year 2024, the following matters were observed in relation to the failure of medical supplies in terms of quality

- (i) Out of the medical supplies issued to government hospitals, drugs, surgical items, and laboratory materials valued at Rs. 4,213.35 million had been withdrawn

No responses had been submitted.

A proper procedure should be established and implemented to test medical supplies at the

from use during 2024 due to failure in quality, while drugs valued at Rs. 1,367.94 million had been temporarily suspended from use for the same reason. The medical supplies that were found to be failed in quality failures included the presence of visible particles, non-conformity with British Pharmacopoeia (BP) specifications, non-conformity with United States Pharmacopoeia (USP) specifications, non-compliance with labeling guidelines, discoloration, broken tablets, presence of glass particles, and adverse reactions. As a result, the items had either been withdrawn from use or suspended.

time of purchase and to conduct random sample testing from time to time, while the full cost paid for medical supplies withdrawn from use should be recovered and it should be confirmed to audit.

(ii) Among the withdrawn medical supplies due to quality failures were drugs used for bacterial infections, skin diseases, mental illnesses, diabetes, liver diseases, and antibiotics.

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(iii) As at 31 December 2024, a sum of Rs. 127.06 million recoverable from the State Pharmaceutical Manufacturing Corporation in respect of items issued with quality failure, as per the relevant circulars, in 2023 had not been recovered even up to 31 March 2025. Further, information on values recoverable from the State Pharmaceutical Corporation and other external parties had not been submitted to audit.

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Action should be taken to recover all outstanding amounts and to submit information to audit regarding values recoverable from other external parties.

(ah) Prednisolone Acetate Eye Drop, which is used for cataract patients after surgery, had been procured by the Medical Supplies Division under Order No. 2021/SPC/N/R/P/00043, and in 2023 a stock of 50,000 bottles valued at Rs. 3,631,093 had been received. However, about one and a half months later, it was revealed that the drug had failed in quality. It was also observed that the Medical Supplies Division had not taken adequate steps to test the quality of the drug prior to its distribution to hospitals, and according to the Special Audit Report No. SPR/2024/03 dated 10 May 2024 issued by the

Auditor General, patients at the National Eye Hospital, Colombo, and the Nuwara Eliya District General Hospital had developed ocular complications. In this connection, the following observations were made:

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| <p>(i) According to the report of the technical committee appointed to determine the amount of compensation payable to patients of the Nuwara Eliya District General Hospital who lost their vision due to the use of this drug, it was observed during the audit that out of 17 patients affected, 12 had suffered permanent visual loss in one eye and were legally blind, while 3 other patients had lost more than 70% of their vision (70% permanent blindness, 75% permanent loss of vision). It was further observed in the audit that although patients of other hospitals had also been affected by this drug, no investigations had been conducted into those cases.</p> | <p>No reply has been submitted.</p> | <p>Action should be taken to conduct an investigation into the patients of other hospitals affected by the use of this drug and to submit a report to the audit.</p> |
| <p>(ii) As per the recommendations of the committee appointed on 13 June 2023 to inquire into the incident at the Eye Ward of the Nuwara Eliya District General Hospital, it had been recommended that this serious quality failure had caused severe harm to the patients, that the manufacturer should be blacklisted, that compensation should be recovered through the company for the victims, that provisions be included in procurement documents to claim compensation from companies supplying substandard drugs, and that the number of random quality tests conducted through the National Drug Quality Assurance Laboratory be increased. Further, at the Cabinet meeting held on 12 February 2024, the Health Director had been directed to appoint a technical committee to determine the amount of compensation payable to the victims of this incident, to ensure the immediate payment of either compassionate allowances or full compensation, to introduce a proper</p> | <p>-Do-</p> | <p>Accordingly, a formal inquiry should be conducted and disciplinary action should be taken against the responsible officers, and necessary measures should also be taken to pay compensation to the affected patients.</p> |

procedure to test the quality of drugs before releasing them to hospitals, to employ the laboratory at the maximum standard for drug testing, and, in addition to contractual remedies, to take appropriate steps to recover compensation under common law from suppliers who supply substandard drugs. However, as at 10 April 2025, almost two years after the incident, it was observed during the audit that compensation had not yet been paid to the affected patients, that no action had been taken to recover compensation through the company for the victims affected by the drug, that the State Pharmaceuticals Corporation had not yet incorporated the provisions in procurement documents to recover compensation from suppliers of substandard drugs, and that no steps had been taken to blacklist such suppliers.

- (ai) By circulars No. MSD/Q/P/2023/56 dated 09 October 2023 and No. MSD/Q/Special/2023/4 dated 18 October 2023 issued by the Director of Medical Supplies, the drugs Human Immunoglobulin and Rituximab were withdrawn from use due to quality failure. The procurement, distribution, and quality failure of these two drugs, which caused great public concern in the country, as well as the matter of obtaining blood plasma for their production, were also revealed in the Special Audit Report No. SPR/2024/03 dated 10 May 2024 on “Drug Requirements, Procurement, Supply, Distribution and Regulation for the years 2022/2023.” However, although about one and a half years had elapsed by the audit date of 10 April 2025 since the quality failure of these two drugs, the Ministry of Health had not taken steps to recover from the supplier company the cost of Rs. 180.37 million incurred for the purchase of these drugs together with 25% administrative expenses, as provided under Clause 9 of Procurement Order No. ICL/EOI/P1/174/2022 dated 13 January 2023 issued to the supplier.

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A formal inquiry should be conducted into the failure to recover the amounts due from the supplier company, disciplinary action should be taken against the responsible officers, and necessary steps should be taken to recover all amounts recoverable.

(aj) In 2022 and 2023, the National Health Development Fund of the Ministry of Health had received donations of USD 2,500,000 from Sri Lanka Cricket and Rs. 100 million from the Sri Lanka Bureau of Foreign Employment, which were allocated to the State Pharmaceuticals Corporation (SPC) for the purchase of medicines. The following observations were made in this regard.

(i) Although, in view of the prevailing financial and economic crisis in the country, the Executive Committee of Sri Lanka Cricket had decided to provide a donation of USD 2 million for the development of the Lady Ridgeway Hospital for Children and the Castle Street Hospital for Women, Sri Lanka Cricket remitted USD 2,000,000 to the Health Development Fund on 08 July 2022. Out of this, an amount of USD 1,999,998 was transferred by the Health Development Fund to the State Pharmaceuticals Corporation on 16 September 2022 for the procurement of medicine of Meropenem injection 1g and 500mg. Although the said donation of USD 2 million had been stated to be for the development of the two hospitals, the reasons for subsequently diverting the funds for the purchase of medicines were not presented for audit.

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Action should be taken to conduct a formal inquiry into the failure of the responsible officials to act with proper understanding and to take disciplinary action accordingly.

(ii) Although the funds for the above two medicines had been received by the State Pharmaceuticals Corporation on 16 September 2022, the State Pharmaceuticals Corporation had submitted bills amounting to Rs. 817.11 million, inclusive of invoice values, service charges, and other costs, to the Medical Supplies Division on 28 November 2022. The Medical Supplies Division had subsequently settled this payment to the State Pharmaceuticals Corporation.

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(iii) Out of the total donation of USD 2.5 million received from Sri Lanka Cricket, USD 500,000 was provided by the National Health Development Fund to the State Pharmaceuticals Corporation between February and August 2023 for the procurement of 19 selected medicines used for cancer treatment. However, the State Pharmaceuticals Corporation had again submitted debit and bill settlement documents amounting to Rs. 165.69 million , comprising invoice value of Rs. 154.57 million and service charges and other expenses of Rs. 11.12 million, to the Medical Supplies Division for the procurement and supply of 17 of these medicines. Accordingly, the above amount was requested through 09 bill settlement document lists between 20 April 2023 and 06 August 2024.	-Do-	-Do-
(iv) According to the letter dated 30 October 2023 sent by the Managing Director of the State Pharmaceuticals Corporation to the Secretary of Health, with copies to the Deputy Director General of Medical Supplies Division and the Director of Medical Supplies Division, it had been informed that the said funds would be provided by Sri Lanka Cricket. However, disregarding this, the Medical Supplies Division had settled bills amounting to Rs. 117.72 million for 10 types of medicines under 05 settlement documents on 08 August and 13 November 2023.	-Do-	-Do-
(v) Although USD 12,150 had been provided by the National Health Development Fund to the State Pharmaceuticals Corporation on 03 February 2023 for the procurement of 2 items out of the above 19 medicines, almost two nearly years had elapsed by the audit date of 02 January 2025, those consignments had not been received at the Medical Supplies Division stores according to the computer database.	-Do-	-Do-

(vi) Settlement vouchers amounting to Rs. 45,055,479 relating to the remaining six medicines received by the Medical Supplies Division had been prepared by the date of audit. These vouchers were processed by officials of the Medical Supplies Division on 30 August and 10 September 2024, recommended by the Chief Accountant (Supplies) and the Director (Medical Supplies), and up on this recommendation, the payment had been approved by the Deputy Director General (Medical Supplies). Accordingly, it was observed that the officials concerned had failed to act with proper understanding in this regard.	-Do-	-Do-
(vii) The amount of Rs. 100 million received by the National Health Development Fund from the Sri Lanka Bureau of Foreign Employment on 23 January 2023 was granted to the State Pharmaceutical Corporation on 17 August 2023. The Deputy Director General of Medical Supplies had informed the Chairman of the State Pharmaceutical Corporation on 06 February 2023 to utilize this donation for the urgent procurement of 42 essential medicines for cancer patients. Accordingly, for 15 selected types of medicines from the orders, the Medical Supplies and Regulatory Division called for quotations under emergency procurement on 15 February 2023, starting at 1.15 p.m., and opened the bids on 17 February 2023, at 10.00 a.m. Hhowever, it was observed that providing less than two days to submit bids deprived many suppliers of the opportunity to participate.	-Do-	Action should be taken to investigate the potential financial malpractice arising from officials acting negligently and contrary to procurement guidelines and to take disciplinary action.
(viii) Although the bid was called urgently within less than two days as indicated above, nearly one month had been taken to make procurement decisions, 30–41 days to issue purchase orders (indentures), and 80–191 days from the date of indenture issuance to receive the	-Do-	-Do-

consignments. Hence, it was observed that the term “urgent requirement” had been applied only for the purpose of submitting bids by suppliers.

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| (ix) | For the procurement of the aforesaid 15 medicines, the Additional Secretary of the Drug Production, Supplies and Regulatory Division appointed only a Price Committee comprising 07 members on 22 February 2023 for evaluating the prices, without appointing a specialist doctor or an expert with the technical knowledge required for the evaluation of specific medicines such as cancer drugs. Further, as per Section 2.1 of the Guidelines for Emergency Procurement of Health Sector, in instances where no Technical Evaluation Committee is appointed, the Emergency Procurement Committee should obtain advice from technical experts. However, it was not confirmed that such measures had been taken. | -Do- | -Do- |
| (x) | Furthermore, as per Section 2.1 of the above guidelines, monthly reports justifying the procurement requirement, together with details of the item, supplier, and value, should be submitted by the Minister of Health to the Cabinet for covering approval, and the internal auditor of the procurement entity should observe the procurement process and report to ensure that it was fair and effective. However, it was observed that these procedures were not followed for the procurement relating to the above 15 drugs. | -Do- | -Do- |
| (xi) | In terms of Sections 58, 82, and 101 of the National Medicines Regulatory Authority Act No. 05 of 2015, registration with the Authority is mandatory for the import, manufacture, sale, and distribution of all medicines, and their quality, safety, and efficacy should be confirmed by the Authority. | -Do- | -Do- |

However, disregarding that requirement, in this procurement, suppliers had been selected on the basis of Waiver of Registration (WOR) certificates for 11 medicines that were not registered with the Authority. Further, nine of these had been approved under a Special Pathway without proper committee approval for granting waivers. Thus, approval had been given merely based on order confirmation documents such as purchase orders, indents, and invoices, without adequate consideration of factors such as price reasonableness, expert opinion, necessity of the drugs, availability of similar registered medicines, and the registration status of the supplier and manufacturer, or without proper evaluation of documents confirming quality, safety, and efficacy.

- (xii) The aforesaid 15 medicines had been received by the Medical Supplies Division during the period from July to October 2024, and their invoice value amounted to Rs. 132.90 million, while the total value including the service fee of Rs. 5.31 million, being 4 percent, was Rs. 138.21 million. Although the Rs. 100 million received from the Foreign Employment Bureau had already been provided by the National Health Development Fund to the State Pharmaceuticals Corporation on 17 August 2023, the Corporation had submitted debit bills for the full Rs. 138.21 million to the Medical Supplies Division without deducting this Rs. 100 million. The Medical Supplies Division too had prepared payment vouchers for the full amount, disregarding the fact that Rs. 100 million had already been paid. However, following audit examination, the Corporation's Manager (Post-Distribution Operations), by letter dated 11 October 2024, informed the Accountant of the Medical Supplies Division to deduct Rs. 100 million from

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the debit bill amount. Accordingly, it was observed that, due to the deliberate or negligent actions of officers of both the Corporation and the Medical Supplies Division, there existed an opportunity for an excess payment of Rs. 100 million, thereby creating a risk of financial irregularity.

(xiii) It was observed at the audit that due to taking actions without proper understanding or negligently, and also due to the deliberate or negligent conduct of the officials of the State Pharmaceutical Corporation, an excess payment of Rs. 934.83 million comprising Rs. 117.72 million and Rs. 817.11 million had been made. Accordingly, government funds amounting to Rs. 934.83 million had been erroneously retained by the State Pharmaceutical Corporation for over one year, and USD 12,150 for nearly two years, while further observation revealed that USD 49,680 provided to the State Pharmaceutical Corporation through a special dollar account of the Central Bank of Sri Lanka for the years 2022 and 2023 had also been referred to the Medical Supplies Division for payments preparing debit notes. Accordingly, it is emphasized that the adverse impact caused to the health sector by unnecessarily retaining government funds of Rs. 934.83 million and USD 61,830 with the State Pharmaceutical Corporation for over two years due to the negligence of officials, until uncovered by the audit, during the economic crisis period of 2022/2023, when such funds could have been utilized for the procurement of other essential medical supplies, cannot be measured.

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(al)	By the year 2025, in relation to the Rare Wing section of the first floor and the fifth floor of the HQ Colombo building, which had been rented by the now-abolished State Ministry of	It has been informed to the Additional Secretary (Development) and the Chief Legal Officer to take	An inquiry should be conducted with regard to the failure to recover the said deposits and
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Pharmaceutical Production, Supply and Regulation, a sum of Rs. 7,570,493 paid to a private company as security deposit and electricity deposit had not been adjusted against monthly rent prior to the termination of the agreement, and although 14 months had elapsed since the expiry of the lease agreement on 31 December 2024, those deposits had not been recovered. Although the matter has been referred to the Attorney General's Department for legal action, no such action has been taken to date, and it is observed that an inquiry should be conducted into the failure to recover the said deposits and recovery should be made from the responsible parties.	immediate action in this regard. recovery should be made from the responsible parties.
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(am)	According to the letter of the Secretary to the Ministry of Health bearing No. SM/PSRP/14/2022/SWASTHA-Vel.II dated 04 December 2023, the annual verification of drug stocks should have been carried out on 31 December each year by an approved verification board of the Director General of Health Services. However, by the audit date of 10 March 2025, no such verification of drug stocks had been conducted in any hospital for the years 2023 and 2024.	-Do-	The annual verification of drug stocks should be carried out and accordingly, action should be taken to recover shortages or record surpluses.
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(an)	With regard to the damage caused by the deactivation of the Table Detector, a component valued at about Rs. 7 million of the radiology unit equipment installed in Room A of the Polonnaruwa Teaching Hospital, on 20 November 2021, no formal inquiry had been conducted under Financial Regulation 104.	The relevant agency had sent the Table Detector to Japan, the manufacturing country of the equipment on 25 November 2021, and later informed on 31 March 2023 that it could not be repaired and accordingly returned the equipment to the hospital. It was further noted that a power adaptor had been obtained to the equipment on 01 October 2021 and its battery replaced on 30 July 2021. Therefore, action will be taken to conduct a formal inquiry under Financial Regulation 104 regarding the inoperation of this equipment and report accordingly.
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(ao)	The surgical item Blood Glucose Strips and the two medicinal items Atracurium Besylate and Nitroglycerine Sublingual Tablets 0.5 mg (GTN) procured through UNOPS under the financial provisions of the COVID-19 Emergency Response and Health Systems Preparedness Project implemented with World Bank loan assistance, had expired in the stores of the Medical Supplies Division without being distributed to hospitals, and the following observations were made during the audit inspection in this regard.		
(i)	Of the item Blood Glucose Strips – Adults, used for measuring patients’ blood sugar levels, 2,500,000 units valued at Rs. 109,500,000, representing 50 percent of the 5,000,000 units ordered at a cost of USD 600,000 (approximately Rs. 219 million), had been received at Medical Supplies Division Store No. 54 on 20 March 2023. This stock had remained in the store for about one year and nine months without being recorded in the goods received register, citing non-receipt of relevant documents, and by 31 January 2025, the stock had expired in the Medical Supplies Division stores without being distributed to hospitals.	No reply has been submitted.	A formal inquiry should be conducted and accordingly, disciplinary action taken against the responsible officers.
(ii)	During this period, due to deficiencies in the documents relating to the consignments supplied through UNOPS, an improper procedure of temporary storage of drug stocks had been followed within the Medical Supplies Division, and based on the instructions of the Senior Assistant Director, the storekeeper had accepted the relevant consignment without invoices, packing lists, etc. Although the relevant documents were received by the stock control unit of the Medical Supplies Division on 31 May 2023, two months later, and although a separate pharmacist had been appointed as project coordinator within the Division for coordinating medical supplies	-Do-	-Do-

provided through UNOPS, this expiry had occurred due to the negligence of officials.		
(iii) At the annual stock verification conducted in the Medical Supplies Division stores for the year 2023, the existence of such GRN unrecorded stock had not been disclosed to the stock verification board, and therefore it was observed that the board had not carried out its verification functions properly and responsibly. If the verification had been properly conducted, the expiry of this item could have been prevented.	-Do-	-Do-
(iv) Due to issues in the main orders of Blood Glucose Strips submitted to the State Pharmaceuticals Corporation for the years 2021 and 2022, hospitals experienced shortages of this item during that period, and in 2022, hospitals made local purchases amounting to Rs. 59,607,902. However, owing to the negligence of officials, a stock of 2.5 million units available in the Medical Supplies Division was not issued to hospitals, and consequently, hospitals again made local purchases amounting to Rs. 52,097,126 in 2023. While this item had previously been purchased through the State Pharmaceuticals Corporation at Rs. 11 per unit, it was procured through UNOPS at Rs. 43 per unit, and due to stock shortages, hospitals purchased it at the higher prices of Rs. 83 to Rs. 112 per unit.	-Do-	-Do-
(v) According to the specifications, 2,000 blood glucose meters and 4,980,000 lancet pins, which should have been supplied free of charge with this item, were instead purchased through the project at a cost of USD 87,680. With the expiry of 2.5 million units of Blood Glucose Strips, there was a risk that 2.5 million lancet pins would also become unusable.	-Do-	-Do-

(vi) The expiry of 2.5 million Blood Glucose Strips, together with disposal costs and the related local purchases, caused a financial loss of Rs. 198,057,949 to the government. Nevertheless, no action had been taken under Establishments Code against the negligent officials who are responsible in this regard.	-Do-	-Do-
(vii) In addition, it was observed that under World Bank loan assistance, 250,000 units of Atracurium Besylate 25mg/2.5ml USP Injection valued at USD 129,000 (approximately Rs. 38,055,000) ordered through UNOPS were received by the Medical Supplies Division on 06 July 2023. However, this stock was rejected due to the absence of temperature data logger records required to confirm cold chain conditions during transportation. Yet, by the time of issuing this report, the stock had remained stored in Cold Room No. 06 of the Medical Supplies Division for nearly two years and had expired in March 2025. It was further observed that UNOPS had not taken action to remove this stock, and in addition to its cost, a sum of Rs. 829,811 had been paid for clearance and port demurrage charges.	-Do-	-Do-
(viii) It was observed that, due to the limited cold storage capacity of the Medical Supplies Division, the storage of rejected stocks of medicines in cold rooms had made inventory management more difficult. Furthermore, the rejected stock, which expired in March 2025, continued to be stored in the cold rooms, caused additional expenses to the Medical Supplies Division.	-Do-	-Do-
(ix) It was observed that the drug <i>Nitroglycerine Sublingual Tablets 0.5 mg</i> , procured through UNOPS, was also not accepted by the Medical Supplies Division as it did not comply with the	-Do-	-Do-

prescribed specifications. Nevertheless, this drug, valued at approximately Rs. 71 million, remained stored on the second floor of the Medical Supplies Division at the time of audit, and no action had been taken by UNOPS to remove this stock of drugs.

(x)	All drugs purchased through UNOPS, including Blood Glucose Strips, Atracurium Besylate, and GTN, had expired without any use and remained stored in the warehouses of the Medical Supplies Division on the date of audit. No action had been taken either to prevent the expiry of these drugs, to supply them in compliance with the specifications of the Medical Supplies Division, or to properly coordinate all such activities. Further, details of the total expenditure incurred for this purpose had not been submitted for audit.	-Do-	-Do-
(xi)	In addition to the above items, 892 medical supply items, including quality failed ones, valued at Rs. 890.16 million, had expired within the Medical Supplies Division and hospitals as at 31 December 2024.	-Do-	-Do-
(ap)	According to Financial Regulation 104, although an immediate inquiry should have been initiated to determine the amount and causes of any loss or damage and to identify the responsible parties, inquiries relating to drug shortages, expiries, and damages valued at Rs. 22.91 million, Rs. 218.04 million, and Rs. 199.26 million, respectively, have been delayed for periods ranging from 4 to 15 years, and no action had been taken under the Financial Regulation even as of the audit date of 31 December 2024.	-Do-	Action should be taken to initiate disciplinary measures against the responsible officers in compliance with the Financial Regulations.
(aq)	Between 2022 and 2024, a total of Rs. 168.19 million had been received from 876 and 73 foreign students respectively who followed elective courses at Galle National Hospital through the Faculties of Medicine and Allied	A committee has been appointed to examine the income and expenditure of the Quality Development Fund, and responses have been	Action should be taken to calculate and recover all receivable funds accurately, credit them to Government

Health Sciences of the University of Ruhuna. However, Rs. 43.56 million equivalent to 25.9% payable to the Hospital, together with Rs. 250,000 payable for 2024 by the Medical Faculty as per the decision of the University Finance Committee, making a total of Rs. 43.81 million, had not been remitted to the Hospital by the relevant Faculties up to the audit date of March 2025.	called from the Registrars of the University of Ruhuna and the Faculty of Allied Health Sciences.	revenue, and confirm it to the audit.
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(ar)	Between 2022 and 2024, a total of Rs. 12.07 million had been received from 122 and 83 foreign students respectively who followed elective courses at the German Sri Lanka Friendship Women's Hospital through the Faculties of Medicine and Allied Health Sciences of the University of Ruhuna. However, Rs. 3.13 million equivalent to 25.9% payable to the Hospital, together with Rs. 100,000 payable for 2024 as per the decision of the University Finance Committee, making a total of Rs. 3.23 million, had not been remitted to the Hospital by the respective Faculties up to the audit date of March 2025.	Following the matter was pointed out by the audit, Rs. 300,000 has since been received from the Faculty of Medicine and Rs. 233,045 from the Faculty of Allied Health Sciences, and further, the Planning Division is in the process of formulating a formal procedure to systematically obtain information regarding foreign medical students.	-Do-
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(as) The following matters were observed during the audit carried out regarding the development of the official residence of the Director of Embilipitiya District General Hospital and the supply of goods and services .

(i)	Although there were no provisions under Section 1.1 of Chapter XIX of the Establishments Code, the Deputy Director General (Supplies) of the Ministry of Health had granted approval to purchase furniture for the Director's residence. Accordingly, furniture and electrical appliances valued at Rs. 239,535 had been ordered and supplied without following the procurement guidelines. In addition, six types of household and electrical appliances valued at Rs. 258,755, purchased for hospital requirements, had been used for the Director's residence.	At present, these items remain in the official residence of the Director and no payment has been made thereon. The Emergency Raids Division of the Ministry of Health is conducting an investigation into the matter, and further action will be taken based on its report. A stock verification is being carried out, and thereafter, steps will be taken to distribute the items to the requesting divisions.	Action should be taken in accordance with the procurement guidelines and the provisions of the Establishments Code, and the investigation should be carried out expeditiously, and the report together with the actions taken should be furnished to audit.
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| <p>(ii) A fence constructed around the Director's residence at a cost of Rs. 28,000, using 14 concrete posts provided to the Hospital Director, had been removed and replaced with a wall. However, none of the concrete posts removed at the time of constructing the wall were in the possession of the hospital. It was further observed during the physical inspection conducted on 25 March 2025 that after 2 December 2024, a poultry shed had been built in the existing residence, and an additional structure built using cement blocks and nets had been demolished.</p> | <p>The Emergency Raids Division of the Ministry of Health is conducting an investigation, and action will be taken based on its report. Further, a separate investigation is also being carried out by the Embilipitiya Police Station. The 14 concrete posts removed when the wall was constructed had been found within the premises of the Director's official residence and were later used to construct barriers to prevent soil erosion within the premises on the instructions of the Hospital Director.</p> | <p>-Do-</p> |
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(at) During the audit carried out regarding the disposal of clinical waste at Nagoda Teaching Hospital, the following matters were observed.

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| <p>(i) According to the conditions of the tripartite agreement entered into with a private company for the disposal of clinical waste generated in the hospital, the company was required to provide color-coded bags necessary for segregation and storage of waste. However, as the company had failed to supply such bags, yellow bags amounting to 205,140 had been purchased during the period from February 2021 to the end of 2023 at a cost of Rs. 3,717,974, causing a loss to the Government.</p> | <p>This matter would be reviewed without delay in the future, and action will be taken to recover any excess payments from future bills.</p> | <p>Action should be taken to recover without delay all monies recoverable to the Government due to the failure to comply with the conditions of the agreement.</p> |
| <p>(ii) During April, May, and June 2024, the company provided only 5,260 yellow bags for disposing of hospital clinical waste, compared to the hospital's monthly requirement of 7,000 bags, resulting in a serious shortfall. Further, although the bags supplied for clinical waste storage were required to have a minimum thickness of gauge 300, their quality was only about gauge 110.</p> | <p>-Do-</p> | <p>-Do-</p> |

(au)	According to Public Administration Circular No. 03/2017 dated 19 April 2017, all government institutions are required to maintain records confirming officials' arrivals and departures through the use of fingerprint machines. Further, as per the letter No. DMS/0016 dated 12 May 2017 issued by the Secretary to the Treasury to the Secretary, Ministry of Health, if fingerprint machines to confirm the attendance of health staff were not operational from 01 July 2017, it was required to ensure that overtime allowances would not be paid based on the prevailing salary. However, 213 fingerprint machines procured and installed at a cost of Rs. 31.08 million for the Ministry, its hospitals, and institutions, had remained unused and idle, and salaries amounting to Rs. 45,333 million based on the present salaries and Rs. 39,717.63 million for overtime and holiday pay, totaling Rs. 85,050.63 million, had been paid during the year under review. Moreover, the total amount spent on overtime and holiday pay represented about 87.6 percent of the salary expenditure.	Fingerprint machines are being used under the Biomedical Engineering and Medical Supplies Division of the Ministry of Health, and that fingerprint machines have been installed in the Ministry building itself, which can be operated once fingerprint registration is completed.	Action should be taken in accordance with the circular provisions to maintain records of officers' arrivals and departures, to establish necessary internal control systems for the payment of additional duty allowances of officials accordingly, and to implement the recommendations made by the Committee on Public Accounts.
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5. **Achievement of Sustainable Development Goals**

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
A total of 42 Sustainable Development Indicators had been identified in relation to the Ministry of Health, of which progress pertaining to 26 indicators relevant to the year under review had not been reported. Further, the required level of performance had not been achieved in 09 of the indicators for which progress had been reported.	Necessary interventions are being revised, relevant data fields are being collected, and the information can be submitted within a few months after their verification.	Action should be taken to carry out annual reviews and ensure the required progress in order to achieve the expected targets by 2030.

6. **Human Resource Management**

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) As at 31 December 2024, the approved cadre of the Ministry of Health and its affiliated institutions by salary scale stood at 97,986, while the actual cadre was 84,106. Accordingly, there was a shortage of 13,880	That the Department of Management Services had indicated the need to reach a common policy decision regarding employees not	Action should be taken to fill essential vacancies for the smooth functioning of

in the total staff. However, in respect of 279 posts, there was a shortage of 14,853 officers, and in respect of 37 posts, there was an excess of 937 officers. Within this, 58 posts recorded a shortage of 14,536 officers within institutions, while some institutions recorded an excess of 3,484 officers. Deploying staff in this manner without balancing shortages and excesses was observed as a weakness in management. Further, in addition to the above details, there was an excess of 694 officers attached to 31 other posts. Although the Department of Management Services had approved on 07 November 2017 for a post of Director General (Planning) in the Special Grade of the Sri Lanka Planning Service, no action had been taken to fill the post. In 2017, a total of 1,102 Dengue Control Assistants had been irregularly recruited on contract basis, but approval had been obtained only for 671 of those posts in the year 2024.

included in the permanent cadre, and that 102 Storekeeper posts under the Ministry had been suppressed to create 104 Medical Supplies Assistant posts in terms of letter No. DMS/CI/H&N/O dated 11 June 2010 of the Department of Management Services, and that action would be taken upon the receipt of the government's policy decision on the irregular recruitment of Dengue Control Assistants.

services, to assign officers and employees in a manner not exceeding the approved cadre of respective hospitals and institutions, and to obtain necessary approvals for unapproved posts.

- (b) According to Gazette Extraordinary No. 1589/30 of 20 February 2009 and Section 193 of Chapter XVIII of the Procedural Rules of the Public Service Commission, every public officer should be subject to transfers. However, as at 30 September 2024, a total of 520 officers with 5 to 10 years of service, 389 officers with 10 to 20 years, 219 officers with 20 to 30 years, and 33 officers with more than 30 years of service were attached to the staff of Lady Ridgeway Hospital for Children. Further, 422 officers related to 26 posts at Polonnaruwa Teaching Hospital had continuously served for periods between 6 and 33 years. It was also observed that there was no established internal transfer policy or procedure for the nursing staff of the Kandy National Hospital, and 426 nurses had served in the same unit or division for long periods ranging from 10 to 31 years. Moreover, a proper data system containing information of the nursing staff had not been established in the hospital.

About 204 out of 426 nurses at Kandy National Hospital were deployed in specialized units, and that the Chief Nurse Officer of the Special Grade had been informed to prepare an internal transfer procedure. Further, the Teaching Hospital, Peradeniya, had arranged periodic transfers of all staff except those have received specialized training and confidential sections (such as the mortuary and medical record rooms), and that at the Polonnaruwa Teaching Hospital, transfers were carried out annually only for those who requested for such transfers.

Action should be taken in terms of Gazette Extraordinary No. 1589/30 of 20 February 2009 and Section 193 of Chapter XVIII of the Procedural Rules of the Public Service Commission, and to establish an internal transfer procedure.

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| <p>(c) Due to failure to properly initiate and maintain personal files during recruitment and training of nurses, as well as lack of inter-institutional coordination, negligence, or fraudulent activities, a nurse recruited to the 1984 training programme and appointed on 18 July 1988 had fraudulently submitted two birth certificates and two National Identity Cards containing contradictory information to her personal file. According to records, this officer should have retired on 01 November 2022, but by producing forged documents, she had continued in service until the malpractice was revealed on 20 August 2023, and had fraudulently received salaries and allowances amounting to Rs. 648,680 for 10 months beyond her retirement date.</p> | <p>A preliminary inquiry is being conducted under No. MH/FS/PI/09/2023/B-175/354 regarding the matters contained in letter EJ/General File, and that the inquiry has not yet been concluded.</p> | <p>Action should be taken to properly maintain personal files and to conclude preliminary inquiries expeditiously.</p> |
| <p>(d) Even though an officer appointed as a Radiographer on 07 January 2002 had fulfilled necessary qualifications for confirmation, the Ministry of Health had not taken measures to confirm the employee in the post up to 30 August 2024, even eight months after his retirement. Furthermore, under the concession granted for ex-service status, a retired officer of the Sri Lanka Army who had been appointed as a pharmacist to the Kandy National Hospital on 20 March 2017, should have been paid only half of the Cost of Living Allowance together with his monthly salary in terms of Section 06 of Public Administration Circular 03/2018, since he was already entitled to a pension. However, he had been paid the full Cost of Living Allowance, resulting in an overpayment of Rs. 398,830 to him.</p> | <p>By the letter No. TA/02/RG/PF/05/2002 dated 13 September 2024, the confirmation of the post of Radiographer in the Supplementary Medical Services Council with effect from 07 January 2002 has been approved by the Secretary of Health, and that action will be taken to recover the overpaid sum of Rs. 398,830 for the period from 20 March 2017 to 31 October 2024 from the salary and credit it to the Government revenue.</p> | <p>Action should be taken to recover the excess payment expeditiously.</p> |