

**Head 111 – Ministry of Health**  
**Report of the Auditor General - 2013**

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**Scope of Audit**

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The audit of the Appropriation Account and the Revenue Account including the financial records, reconciliation statements books, registers and other records of the Ministry of Health for the year ended 31 December 2013 was carried out in pursuance of provisions in Article 154 (1) of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review was issued to the Secretary to the Ministry on 13 October 2014. The audit observations, comments and findings on the accounts and the reconciliation statements were based on a review of the accounts and reconciliation statements presented to audit and tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me.

**1.2 Responsibility of the Chief Accounting Officer for the Accounts and Reconciliation statements**

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The Chief Accounting Officer is responsible for the maintenance, preparation and fair presentation of the Appropriation Accounts, the Revenue account and the Reconciliation Statements in accordance with the provisions in Articles 148,149,150 and 152 of the Democratic Socialist Republic of Sri Lanka, other statutory provisions and Public Financial and Administrative Regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts and Reconciliations Statements that are free from material misstatements whether due to fraud or error.

**1.3 Audit Observation**

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According to the Financial Records and books for the year ended 31 December 2013, it was observed that except for the effects of the general observations appearing at (a) to (j) and major audit findings appearing in paragraphs 1.4 to 1.15 herein, The Appropriation Account, the Revenue Account and the reconciliation statements of the Ministry of Health had been prepared satisfactorily.

**(a) Presentation of Accounts**

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The following accounts had not been presented to audit as at 31 March 2014 by the Ministry.

<b>Item Number</b> -----	<b>Name of the Account</b> -----
34003	Winding up Accounts Professional Treatments Advance Account Angoda Mental Hospital
34004	Bakery Advance Account for the use of the In- house Patients of the Angoda and Mulleriyawa Mental Hospitals.

**(b) Non maintenance of Registers and Books**  
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While The Ministry had not maintained the following registers, it was observed in test checks that certain registers had not been maintained properly and updated.

<b>Type of Register</b> -----	<b>Relevant Regulation</b> -----
• Register of losses	Financial Regulation 110
• Register of Vehicles	Financial Regulation 1647(e)

**(c) Lack of Evidence for Audit**  
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- (i) Although the medical equipment valued at Rs.11,561,642 for the hospitals adjacent to the Southern Highway had been purchased and transferred to the Item of Expenditure through Transfer sheet 2013/03, the Bio Medical Engineering Section failed to submit the relevant payment voucher to the audit.
- (ii) Evidence to support the requests made by the relevant hospitals for the equipment, and that certificates were furnished with regard to Registration of Cosmetic Devices and Equipment in the Drugs Authority, that those equipment were taken over and installed in the relevant hospitals were not furnished and therefore purchases amounting to Rs.175,259,931 made in 06 instances by the Bio Medial Engineering Section could not be satisfactorily vouched in audit.

**(d) Replies to Audit Queries**  
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While replies had not furnished to 09 audit queries issued to the Ministry during the year under review even as at 31 Mach 2014, the value of transactions that could be determined relating to those queries amounted to Rs.323,742,928. In addition to this, replies had not been received to 03 audit queries issued to the Colombo South Teaching Hospital for the years 2010 and 2013, 03 queries issued to the Gampola Base Hospital during the year 2013 and 04 queries issued to the Kandy Teaching Hospital.

**(e) Appropriation Account**

The following observations are made.

**(i) Total Provision and Expenditure**

While the total net provision made available to the Ministry had been Rs.94,972,264,000, out of that a sum of Rs.92,994,584,162 had been utilized as at the end of the year under review. Accordingly, a sum of Rs.1,977,679,838 or 2 Percent had been saved. Details are shown blow.

Expenditure	As at 31 December 2013			Saving as a Percentage of Net Provision
	Net Provision	Utilization	Saving	
	Rs.	Rs.	Rs.	
Recurrent	76,450,000,000	75,559,318,083	890,681,917	1.2
Capital	18,522,264,000	17,435,266,079	1,086,997,921	5.9
<b>Total</b>	<b>94,972,264,000</b>	<b>92,994,584,162</b>	<b>1,977,679,838</b>	<b>2.0</b>

**(ii) Budgetary Variance**

The Following Observations are made.

- The entire net provision of Rs.120,255,458 made under 34 Expenditure Items had been saved.
- The original estimated provision of Rs.93,700,000 made for 4 Items of Capital Expenditure had been transferred to other items of Expenditure.

**(f) Revenue Accounts.****Estimated and Actual Revenue**

While revenue of Rs.165 million had been estimated relating to Revenue Code1003-07-01 for the year 2013 by the Ministry, revenue totalling Rs.171.8 had been collected during the year under review. It was 104.12 Percent of the estimated revenue. It was 104.12 Percent of the estimated revenue. Details are shown below.

Revenue Code	As at 31 December 2013			Excess as a Percentage of Estimated Revenue
	Estimated Revenue	Actual Revenue	Excess	
	Rs.	Rs.	Rs.	
1003-07-01	165,000,000	171,812,780	6,812,780	4.12

Following observation is made in this connection.

According to the Accounts presented, net revenue for the year had been Rs.171,812,780, while according to the report of the Director of Medical Technology and Supplies annual revenue had been Rs.170,776,000. Accordingly, a difference of Rs.1,036,780 was observed.

**(g) Advances to Public Officers account**

**Limits Authorized by the Parliament**

Limits Authorized by the Parliament on Advances to Public Officers Account relating to the Ministry and actual values are shown below.

Item No.	Expenditure		Receipts		Debit Balance	
	Maximum Limit	Actual	Minimum Limit	Actual	Maximum Limit	Actual
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
11101	930,000,000	66,782,867	662,000,000	748,796,088	206,700,000	1,279,223,053

Following observations are made in this connection.

- (i) According to the Reconciliation Statement relating to this Advance Account as at 31 December 2013, the total of balances in arrears as at that date was Rs.166,965,564 and in that there were non-moving arrears of loans and advances (more than 05 years) amounting to Rs.66,047,901. This was 40% of the total loan balances. Follow up action for recovery of those balances in arrears was weak. Details are shown below.

Particulars	Loan Balance as at 31.12.2013	More than 5 years	Years 1 – 22	Years 5 – 22	Observations
	Rs.	Rs.	Rs.	Rs.	
<b>Change of Station</b>					
(i) Officers left on transfer to Provincial Councils	107,386,386	34,184,721	-	-	Non-recovery in a lump-sum
(ii) Officers left on transfer to Ministries and Departments Councils	22,936,556	-	-	14,891,924	Non settlement in terms of provisions in Budget Circular No. 118 dated 11 January 2014.
(iii) Others	678,620	-	-	-	-
Retirements/ Deaths Officers	11,157,287	2,222,195	-	-	Lack of action in terms of Clauses 4.2.5, 4.2, 4.4, 4.4.1, 4.5 and 4.6 of Chapter xxiv of the Establishments Code.
Released for service in Corporations and Boards.	255,770	255,770	-	-	Lack of action in terms of Clause 4.8 of Chapter xxiv of the Establishments Code.
Interdicted Officers	8,444,481	6,262,061	-	-	Lack of action in terms of Clause 4 of Chapter xxiv of the Establishments Code.
Officers vacated Post	15,634,124	-	-	-	Lack of action for recovery from the guarantors or obtaining instruction from the Attorney General.
Officers who had gone abroad on no-pay leave.	212,500	-	-	-	Lack of action in terms of Clause 3.18 and 3.18.3 of Chapter xxiv of the Establishments Code.
Others	259,840	-	-	-	-
<b>Loan Balances to be Settled. (Creditors)</b>					
(i) Loan Balances to be Settled of the Officers came	20,602,568	-	20,602,568	-	Lack of action for settlement of that balance by 28 Hospitals

from other  
Ministries and  
Departments

and Institutions belong  
to the Ministry.

- |      |  |             |   |   |   |   |
|------|--|-------------|---|---|---|---|
| (ii) | Loan Balances to be Settled of the Officers came from the Provincial Councils. | 128,071,133 | - | - | - | While there were un-settled balances during a period of 21 years, action in terms of paragraph 1.6 of Chapter xxiv of the Establishments Code had not been taken. |
|------|--|-------------|---|---|---|---|

**(h) Winding-up Advance Accounts**  
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In terms of the Decision No. CP 04/1121/008/06 dated 22 September of the Ministers of the Cabinet, the Professional Treatments Advance Account (34003) of the Angoda Mental Hospital and the Bakery Advance Account (34004) for the use of the In-house Patients of the Angoda and Mulleriyawa Mental Hospitals, should be closed down by 30 November 2004 or before that. However, action had not been taken to wind up those two accounts even as at 29 September 2014. (Although nearly a period of 10 years had elapsed)

**(i) Imprest Accounts**  
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The total of Imprest balances of the Ministry as at 31 December 2013 was Rs.123,991,050. Particulars are shown below.

Imprest Account Number	Balance as at 31 December 2013
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	Rs.
7003/0000/00/0100/0013	108,102,839
7003/0000/00/0014/0013	1,676,280
7003/0000/00/0043/0004	(15,000)
7003/0000/00/0043/0005	14,286,931
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<b>Total</b>	<b>123,991,050</b>
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Following observation is made in this connection.

The total of un-settled Imprest Balance by the Ministry as at 30 April 2014 was Rs.24,091,206.

**(j) General Deposits Account**  
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The total of Deposit Accounts balances of the Ministry as at 31 December 2013 was Rs.374,398,212. Particulars are shown below.

<b>Deposit Account Number</b>	<b>Balance as at 31 December 2013</b>
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	<b>Rs.</b>
6000/0000/00/0001/0026	11,352,687
6000/0000/00/0002/0027	24,745,079
6000/0000/00/0015/0024	338,300,446
	-----
	<b>374,398,212</b>
	=====

Following observation is made in this connection.

Action in terms of Financial Regulation 571 had not been taken with regard to Deposits amounting to Rs.666,621,832 which had elapsed 2 years.

#### **1.4 Good Governness and Accountability.**

##### **1.4.1 Annual Action Plan**

Although an Annual Action Plan should be prepared by the Ministry in terms of Letter No.PS/R/2/2/3/5/4 dated 10 March 2010, Action Plan for the year under review had be submitted on 27 February 2013.

##### **1.4.2 Annual Procurement Plan**

Although an Annual Procurement Plan should be prepared by the Ministry in terms of Circular No. 128 dated 24 March 2006, it had not been prepared even as at 01 March of the year under review. A Procurement Plan for the years 2013 2015 had been prepared by the Ministry on 06 March 2013.

##### **1.4.3 Internal Audit**

Although Internal Audit Reports had been furnished by the Internal Audit Unit of the Ministry, it was observed that follow up action had not been taken.

##### **1.4.4 Operation of Audit and Management Committee**

Four meetings of the Audit and Management Committee had been held during the year under review by the Ministry.

#### **1.5 Assets Management**

##### **(a) Idle and Under-utilized assets.**

It was observed in audit test checks that the following assets had been lying idle.

<b>Type of Assets</b>	<b>No. of Units</b>	<b>Idle Period</b>
Buildings	01	3 years
Vehicles (Motor Cycles)	03	More than 1 year
Machinery	02	More than 1 year
Medical Equipment	02	More than 1 year
Mould Room	01	More than 2 years
Production Equipment		

**(b) Conducting Annual Board of Survey**

Following observations are made.

- (i) Although the Annual Board of Survey for the year 2013 should be done before 31 May 2014 and those reports should be forwarded to the Auditor General in terms of Public Finance Circular No. 441 dated 09 December 2009 as amended by letter No. PF/Board of Survey/01 dated 17 December 2010 issued by Director General Public Finance, reports had not been forwarded accordingly. The board of Survey should be conducted in the Ministry, 67 Hospitals and Institutions However; such survey had been carried out only in the Ministry, 27 Hospitals and Institutions. Those reports too had not been forwarded to audit. Although the last Board of survey had been carried out in respect of the year 2012, relevant reports had not been submitted to the Auditor General.
- (ii) Although it had been informed on 04 November 2012 that appointment of Board of Survey was made in the National Hospital and report would be submitted to the Auditor General after completion of survey work, any board of Survey report since the year 2009 had not been forwarded up to 23 April 2014. It had been informed in paragraph 04 of the Public Finance Circular No. PEF/03/03 dated 25 October 2013 that it is proper to finales the work relating to Board of survey for the year 2013 including the Board of Survey Work not fulfilled relating to previous years by 31 March 2014, the National Hospital had not acted accordingly.

**(c) Asset Received from Other Institutions**

Following matters were observed.

- (i) Lack of written transfers or not recording the receipts in the Inventory with regard to 253 Items received as donations or through other methods.
- (ii) Non-recoding entries in the Inventory with regard to Items made and fixed on contract basis.



- (iii) Lack of action for fixing responsibility to an authorized officer with regard to the goods.

**(d) Assets given to External Parties**  
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Instances of releasing certain assets improperly to external parties by the Ministry were observed.

- (i) While two vehicles belong to the Kandy Teaching Hospital had been deployed for the duties of the National Health Care Centre for Buddhist Priests, The Director of the Hospital had been informed on 11 April 2013 to attach one jeep tot the Kandy Nursing School by the Director (Transport) of the Ministry of Health, that vehicle had not been provided up to 03 March 2014.
- (ii) A land of 28.6 perches in extent had been provided to the Association of Sri Lanka Voluntary Family Planning and Health, through an annual permit issued for occupation. It was revealed that, the Association is now defunct and two business centers are carried on without authority in the building erected in that land and any payment had not been made. The Assistant commissioner of Land had informed on 08 October 2013 to forward recommendation in concurrence with the Ministry of Health if it is necessary to take back that land to the Kandy Hospital. However, action had not been taken accordingly.

**(e) Unsettled Liabilities**  
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There were liabilities amounting to Rs.13,446,202,217 of the Ministry, not settled relevant to a period less than one year as at 31 December 2013. Out of those liabilities, a sum of Rs.8,634,854,839 was payable for Medical supplies.

**1.6 Non-compliances**  
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**Non-compliance with Laws, Rules, Regulations etc.**  
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Instances of non-compliance with laws, rules and regulations observed in audit test checks are analyzed below.

Reference to Laws, Rules and Regulations -----	Value -----	Noncompliance -----
	Rs.	
<b>(a) Statutory Provisions</b> -----		
(i) Article 60 of the Democratic Socialist Republic of Sri Lanka	--	Although the Disciplinary Order to dismiss a doctor from Public Service, who had been found guilty according to the Charge sheet by the Public Service Commission, had been received by the Ministry, the handing over of that order had been avoided willfully or negligently.
(ii) Registration of Private Medical Institutions Act No. 21 of 2006 Section 1(1)	--	Although the Regulations to be followed to ensure the technical efficiency and quality of the Private Medical Institutions should be published in the Gazette through the Minister by the Private Health Regulatory Council, such regulations had not prepared and published in the Gazette, although 8 years have elapsed since sanctioning the Act.
(iii) Paragraphs (i) and (ii) of Section 4(1) of the Act	--	<p>(i) Although all Private Medical Institutions should register in this Regulatory Council, it was observed that a large number of Medical Institutions were carrying on business without getting registered during the period from the years 2007 to 2013.</p> <p>(ii) Although 50% of the Registration Income should be paid to the relevant Provincial Councils, a sum of Rs.26,552,000 payable to the Provincial Councils for the years from 2008 to 2013 had not been paid.</p> <p>(iii) The accounts for the</p>

years from 2006 to 2013 had not been prepared and submitted to the Auditor General.

**(b) Establishments Code of the Democracy Socialist Republic of Sri Lanka**

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 Clause 6 of Chapter XLVII of Volume II

-- A sum of Rs.227,700 had been paid out of Government Funds as court charges due to action filed by the party subject to injustice due to making statements to media by the Media Officer of the Ministry, without approval of the Secretary to the Ministry.

**(c) Public Administration Circulars**

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 Circular No. 41/90 dated 10 October 1990.

-- Although fuel consumption of vehicles should be tested at least once in 6 months, it was revealed that such action relating to the vehicles had not been taken in many institutions of the Ministry of Health. According to test checks of 33 vehicles belong to the Kandy Teaching Hospital, such tests had not been carried out.

**(d) Management Service Circular**

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 (i) Circular No. 45 dated 07 April 2011 Paragraph 5(c)

-- Research proposals submitted by the Non-medical officers should be referred to the Research Supervision Committee established under the Ministry of Technology and Research or to the Subcommittee appointed by the Committee, and approval should be obtained. Nineteen research proposals relating to researches had been approved by the Deputy Director General (Education, Training and Research) and the Secretary to the Ministry.

(ii) Circular 6 (iii) Condition

10,925,959

A sum of Rs.10,925,959 had been paid for 157 researches for studies of the Post Graduate Course Doctors. Although it had been

informed that there should not be any hindrance with regard to duties of the substantive post due to research work expected to be performed in terms of condition 6(iii) and allowances for researches are not payable for doctors who are released from full time basis, such allowances had been paid

**(e) Public Finance Circulars**  
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No. PF 437 dated 18  
September 2009.

-- Although all vehicles belong to the Government Institutions should be insured, except 04 vehicles belong to the Kandy Teaching Hospital, all other vehicles had not been insured.

**(f) Health Ministry Circulars**  
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(i) Common Circular No.  
0106/2012(1) dated 30  
March 2012. Paragraph 6.0

-- Further payment of Research Allowance should be made on recommendation made by the Research Management Sub-committee, having examined the Interim Progress Reports submitted after 06 months. There was no evidence that the recommendations were made after examining the Progress Reports. Although un-economic payments of Research Allowance had been controlled through the requirement for submitting a progress report after 06 months from the date of commencement of the research in terms of the Circular, the steps to be taken at Ministerial level with regard to research work stopped after commencement had not been resolved.

(ii) Circular No. SF/A01/201 dated 35,717,477  
01.01.2013 – Delegation of  
Authority for Financial  
Control.  
Paragraph II.

When making payments of overtime, holiday pay and additional duty allowance (under Item of Expenditure 1002) to officers, such payment should not exceed their basic salary.

- (iii) Paragraph 26.3 631,187
- However, it was observed that according to the summary of salary payments in May 2013 the amount paid exceeding that limit had been Rs.35,717,477.
- Payments had been made in three instances for repairs to vehicle without the approval of the Secretary to Ministry by the Kurunegala Teaching Hospital.

## 1.7 Weaknesses in the implementation of Projects

Instances revealed in audit test checks with regard to Abandonment of Projects without Commencement and Delays in Projects are shown below.

### (a) Foreign Funds Investment Projects.

A sum of Rs.8,151,823,805 had been spent under Foreign Funded Projects by the Ministry as shown below.

	Number of Projects -----	Expenditure -----
		Rs.
Loans projects	18	6,143,881,156
Grants Projects	24	2,007,942,649
		-----
		<b>8,151,823,805</b>
		=====

- (i) Although the total annual provision made available for Foreign Loan Projects was Rs.5,071,800,000, a sum of Rs.6,143,881,156 had been spent. Four Projects planned to be implemented during the year relating to Rs.76,800,000 had not been commenced In place of the provision of Rs.5,071,800,000 made available for 03 Loan Projects including the Project for Development of Hambanthota and Nuwaraeliya District Hospitals, a sum of Rs.4,326,880,588 had been spent and due to that, a sum of Rs.2,841,880,588 or 191% had been spent in excess of the planned expenditure. This is observed as a weakness in Project Planning.

**(ii) Projects not in Progress although the Funds had been released.**

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• **Strengthening of Preliminary Level Healthcare Activities (111-2-14-2502-14)**

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While a sum of Rs.190,612,126 had been spent under this Item of Expenditure. Out of that, Equipment had been purchased for Rs.71,449,892, by the Bio Engineering Section. While, 60 units of 04 categories of Medical Equipment valued at Rs.7,471,794 had been received on 08 January 2014, those equipment had been kept in the store of the Bio Engineering Section for nearly 08 months as at 24 September 2014, date of audit.

• **Establishment of Quality Management Units in Base Hospitals (111-2-13-9-2502(14))**

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Although provisions amounting to Rs.10 million had been made available during the year 2013 for Establishment of Quality Management Units, a sum of Rs.1,346,611 only had been spent at the end of the year. Accordingly there had been a saving of Rs.8,653,389.

• **Second Development Project in the Health Sector.**

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A sum of Rs.53,321,760 (US \$ 400,000) had been credited to the Special dollar Account under the World Bank Grants, with intention of helping the Sri Lankan Government for groundwork of the Second Development Project in the Health Sector for improvement in the quality, efficiency and capacity of the Health Services and to reduce the expenditure incurred by poor individuals for Health Security. Out of this, a sum of Rs.11,468,796 (US \$ 87,711) had been returned back to the International Development Association (IDA) on 03 February 2014 by the Treasury, without being used for intended activities.

**(iii) Foreign Funded Provision had not been utilization**

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Although a provision of Rs.3,289,135,000 had been made for 24 Foreign Aid Projects planned to be implemented during the year under review by the Ministry, a sum of Rs.2,007,942,649 had been spent during the year, and a sum of Rs.1,281,192,351 had been saved. It was 38.9% of the total provision of the Projects.

## 1.8 Lapses in Operation of bank Accounts

### Balance to be adjusted

According to analysis of adjustments shown in the bank reconciliation statements prepared by the Ministry of Health for the month of December 2013, information revealed are shown below.

	Age Analysis		Total
	More than 06 Months Less than 01 Year	More than 01 Year Less than 02 Years	
	Rs.	Rs.	Rs.
(i) Deposits not realized	1,293,583	6,428	1,300,011
(ii) Cheques issued, but not presented for payment	1,127,990	106,214	1,234,204
(iii) Un-identified credits	635,830	9,650	645,480
(iv) Un-identified debits	54,566	--	54,566

Following observations are made in this connection.

- (i) Although it is prohibited to obtain overdraft from a bank account in terms of Financial Regulation 387, it was confirmed that such overdraft facilities had been obtained through 02 bank accounts as there had been shown a sum of Rs.5,875 being payment of overdraft interest under un-identified payments.
- (ii) Although action in terms of Financial Regulation 396 should be taken with regard to 136 cheques valued at Rs.1,234,204 relevant to 22 bank accounts, being cheques issued but not presented for payments for more than 06 months, such action had not been taken. Period of delay in making adjustments was in a period ranging between 06 months to 2 years.

## 1.9 Transaction of Contentious Nature

Certain transactions made by the Ministry were of contentious nature. Particulars of such transactions revealed in test checks are shown below.

- (a) Although it had been clearly informed that the monthly payments of Disturbance Allowance Rs.25,000 during Intervals, Transport and In Attendance allowances can not be paid to doctors on maternity leave during the period of such leave, in the letter No. EST/8/ALLOW/03/281/132 dated 23 May 2012 issued by the Director General of Establishments, all Heads of Institutions under the Ministry of Health had been informed to pay those allowances by the Secretary to the Ministry of Health through his letter No.

Health Ministry Ca/191 dated July 26 2013, disregarding the letter of the Director General of establishment. This had been based on a Cabinet Paper issued in 1995.

- (b) According to the Management Services Circular No. 45 Dated April 2011, Officers who qualify to receive the Research Allowance are the officers of "Senior Level" as defined in the Public Administration Circular No. 6/2006. Accordingly, Medical Administrators, Medical Specialists and Dental Specialists referred to in Annexure II of the Circular No. 6/2006 belong to that category. Contrary to matters mentioned in this paragraph, a sum of Rs.10,050,884 had been paid as research allowance to 156 doctors who are not in Senior Level.

### **1.10 Improper transactions**

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Certain transactions entered into by the Ministry were improper. Certain such instances observed are shown blow.

#### **(a) Deviations from Procurement Guidelines**

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The following observations are made.

- (i) Although opportunity should not be given to take part in contracts again, by the suppliers who have defaulted the contracts, through maintenances of a data base relating to them in terms of Paragraph 8.11 of the Government Procurement Guidelines, such a Register had not been maintained in the Medical Supplies Section. Nine instances of calling for tenders again from the suppliers, who had defaulted supplies ordered were observed.
- A shortage of stock in the Medical Supplies Section due to default of supplying drugs by the suppliers and delays in supplying drugs to Hospitals and short supplies were observed.
  - It had not been possible to recover a sum of Rs.11,340,736, which could have been recovered from suppliers who did not supply drugs in 09 instances, due to failure in obtaining bid bonds in terms of Paragraph 5.3.11 of the Procurement guidelines.
- (ii) Although a time frame had been fixed in terms of Paragraph 4.2.3 of the Procurement guidelines by Bio Medical Engineering Section, for the process of purchasing 343 items valued at Rs.390,197,820 under 07 categories of medical equipment, a period from 12 weeks to 58 weeks had elapsed exceeding the time frame for that work.



- (iii) Although the Procurement Entity should ensure that financial provision is available for the fulfillment of the contract expenditure before granting the contract, in terms of Paragraph 8.7.1(a) of the Procurement guidelines, procurement procedure had been followed for 38 items of medical equipment valued at Rs.94,536,550 without considering that a provision of only Rs.35 million had been made through the 2012 Budget for the purchase of medical equipment on be half of the Sabaragamuwa Development Project. Accordingly, procurement procedure had been followed by the Procurement Entity without ensuring the availability of provision amounting to Rs.59,536,550.

**(b) Lack of Authority for Transactions**  
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Payments totalling Rs.8,701,443 relating to the year 2012 had been made during the year 2013 in 19 instances, without getting approval in terms of Financial Regulation 115.

**1.11 Losses and Damages**  
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Observations relating to the losses and damages revealed in audit test checks are shown below.

- (a) Fifty one Officers had stopped the research work after obtaining allowance for a period from 03 to 10 months from the commencement of work. A sum of Rs.2,278,743 had been paid to the officers of the Ministry as allowance for research work stopped. This is considered as a loss to the government.
- (b) Outdated drugs and surgery equipment of 44 categories valued at Rs.18,368,457 had been stored in the Digana Drug Stores as at 13 June 2013. Out of those stocks, 22 categories of drugs valued at Rs.11,969,473 had been outdated during a period more than a year. Due to this, stores space also had been blocked un-necessarily. Action in terms of Financial Regulations had not been taken too with regard to the relevant losses.
- (c) Sixty nine items of Drugs Stocks valued at Rs.1,388,435 in 05 hospitals had been outdated due to reasons such as transfers of Specialist – Doctors, decrease in demand, supply of short term validity drugs and supply of the annual estimated quantity in lump-sum.
- (d) The amount spent on medical tests referred to the private hospitals by the National Hospital for medical test which should be performed by the hospital staff, but not performed due to strikes during the years 2012 and 2013 had been Rs.6,243,278.

- (e) The loss amounting to Rs.27,000 occurred on 18 June 2010 due to a vehicle accident to the Ambulance No. 227-5494 belongs to the Colombo South Teaching Hospital had not been recovered from the relevant parties.
- (f) Due to the delay in supply of drugs by the State Pharmaceutical Corporation, Medical Supply Section had to make local purchase of drugs and 44 categories of surgical material valued at Rs.222,326,307 and accordingly the Government had to bear an additional expenditure of 78,800,670 more than the prices of Pharmaceutical Corporation. This is observed as a loss occurred to the Government.
- (g) Action had not been taken to clear 06 Leprous Copy Machines purchased for supplying to Hospitals belong to the Ministry of Health on due date from the Customs and due to that a sum of Rs.84,120 had to be paid as demurrage. If action was taken to clear the machines from the Customs within two days payment of demurrage could have been avoided. A financial loss of Rs.84,120 had occurred due to negligence of the parties responsible.
- (h) While there was possibility to advertise the quotations calling on a single date for the purchase of proposed 53 million worth of 35 medical equipment under Sabaragamuwa Province Development Project by the Provincial Director of Health Services, advertisements had been published in 04 different occasions. Due to that, a loss of Rs.361,256 had occurred to the Government at maximum level.
- (i) Twenty Boxes of Steritah Black Patient Markers valued at Rs.70,000 in the Cancer Radiation Treatment Unit of the Kandy Teaching Hospital had become outdated due to non-use at the time of physical audit verification carried out on 25 November 2013.

#### **1.12 Un-economic Transactions**

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Particulars relating to un-economic transactions revealed in test checks are shown below.

- (a) When a request had been made for a vehicle by the Thripasha Institute, Two Double Cab vehicles had been purchased for a sum of R. 12 million instead of purchasing one vehicle, causing an uneconomic expenditure of Rs.6 million. Although the engine capacity of the vehicle had been mentioned as 3200 CC according to the letter of approval for the purchase by the Public Enterprises Department, two Double Cabs Vehicles of 2500 CC engine capacity had been purchased contrary to the approval granted.
- (b) Providing a Containerized Soundproof Standalone 1000 KVA Electrical Generator of High Quality as mentioned by the Technical Evaluation Committee to a workshop like Thripasha having spent a sum of Rs.90,465,900 was observed as an un-economic

expenditure. Similarly a sum of Rs.8,037,008 had been spent for service and maintenance of the year under review and the total sum that had to be paid for service and maintenance for the 05 years had amounted to Rs.28,692,400, which also observed as an uneconomic expenditure.

- (c) A sum of Rs.3,340,882 had been paid as emoluments during the year 2013 to staff of 02 Projects that had been finalized during the year 2012.
- (d) A large sum of expenditure has to be incurred annually due to lack of adequate official quarters to provide housing facilities to Specialist Doctors and Other Doctors of the Kurunegala Teaching Hospital and lack of a scheme for new constructions. A sum of Rs.1,722,000 had been paid during the year 2013 alone to outside parties in place of official quarters for 15 doctors.

### 1.13 Un-resolved Audit Paragraphs

Follow-up action had not been taken with regard to audit paragraphs in the Auditor General's Report relating to the Ministry and such paragraph is shown below.

Reference to Auditor General's Report		Subject Referred to
Year	Paragraph No.	
2007	6.6 (e) xiii	Lack of taking steps to recover from the Suppliers, the shortage of Rs.10.7 million worth of drugs in transporting from the State Pharmaceutical Corporation to Medical Supplies Division.

### 1.14 Management Weaknesses

#### (a) Ministry of Health

Following weaknesses were observed in audit test checks.

#### (i). Purchase of Drugs and Surgical Material by the State Pharmaceutical Corporation.

The following observations are made.

- The Cabinet had appointed the Procurement Committee (SCAPC) with regard to the purchase of Drugs and Surgical Equipment required by the

Medical Supplies Division through the State Pharmaceutical Corporation. Out of 11 instances relating to purchase of 150 million worth of drugs expected to be purchased during the year 2012, purchases had been made successfully only in 02 instances. Stocks had not been received in 09 instances. Although Cabinet decisions had been given with regard to 4 tenders, purchases had not been made by the State Pharmaceutical Corporation accordingly. While 4 tenders had been cancelled by the Cabinet, there was no evidence with regard to implementation of instructions contained in the Cabinet decision relating to the balance tender.

- Orders had been placed with the Pharmaceutical Corporation by the Medical Supplies Divisors for supplying 518,900,000 units of drugs and surgical equipment for these eleven tenders of which estimated value had been Rs.3,307 million. Out of that, 8 tenders estimated at Rs.2,646 million, relating to the purchase of 85,400,000 units had been had been unsuccessful causing a shortage of drugs and it was observed that patients hospitality service had not been properly fulfilled due to non-receipt of adequate stocks for distribution. It was also observed that a soaring price of Rs.6,409,064 (Rs.2,572,400 +Rs.3,836,664) had been paid in the local purchase of two items of drugs, by the Medical Supplies Division.
- The period of time to be taken for the tender procedure from the date of informing the annual requirement of drugs and surgical equipment to the Corporation by the Medical Supplies Division to the date of decision of the Cabinet is should be about 07 months according to the Paragraph 4.2.3 of the Procurement Guidelines. However, the Ministry had taken a time period of 09 to 18 months for that. Although the orders had been placed having expected to receive stocks after one year, it had taken nearly one year to award the he contract and therefore it was observed that it was impossible for the Pharmaceutical Corporation to supply stocks according to the time table of the Medical Supplies Section.
- According to the agreement between the Medical Supplies Division and the State Pharmaceutical Corporation, requirement of drugs should be sent to the Corporation one year in advance to the expected date. Similarly, the Corporation should make the supplies timely after 11 months. However, it was observed that a total period of 17 to 26 months is being taken for the drugs obtained through the Cabinet Tender Board and therefore the responsibility of supplying drugs is getting delayed for a period between 06 to 15 months.

**(ii). Local Purchase of Drugs**  
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Following observations are made.

- A situation of inability had arisen in supplying the monthly requirement of many drugs to the hospitals and medical institutions, due to the delay in getting the stocks ordered from the State Pharmaceutical Corporation. The delay in receiving 11 categories of drug had been 03 months to one year and 09 months.
- Although the placing orders for annual drugs requirement of the Medical Supplies Division should be made one year in advance; such action had not been taken with regard to 05 orders submitted and it had been requested to make the supplies within a time range between 04 months and 09 months. Accordingly the delay in placing orders had been 03 to 08 months.
- It had not been possible to fulfill the monthly drug requirement of the hospitals, due to the delay in supplying varieties of drugs ordered annually from the State Pharmaceutical Corporation. Although 32,217,926 units of drugs relating to 06 categories had to be supplied during 06 months, only 11,293,293 units had been supplied. Accordingly, quantity not supplied had been 65% of the quantities to be supplied. Therefore, the Medical Supplies Division had failed to supply annual estimated requirements of drug categories in required quantities ordered by the hospitals according to own requirements.
- A loss of Rs.233,700 had occurred to the Government, due to failure in purchasing the balance number of 570 Catheters from the supplier who quoted the lowest price, after purchase of 763 Catheters which had been urgently required from the supplier who quoted second lowest price when purchasing 1778 Size 18G(SR No.- 561200) Epidural Catheters locally.
- While approval had been given by the Health Secretary on 11 November 2011 to purchase Laparoscopy Machines for the hospitals belong to Ministry of Health according to the priority list for the year 2012, six Laparoscopy Machines had been purchased through the Bio Medical Unit for Euro 398,240 or Sri Lanka Rs.66,629,252. These goods had been obtained to the Bio Medical Engineering Service Unit on 03 May 2013. Although this had been approved as an urgent requirement, 1 ½ years had been taken to complete the procurement process.
- Although the reasonable period for procurement process between Rs.25 million and Rs.100 million should be only 43 weeks, in terms of Paragraph 4:2:3 of the Procurement Guidelines and time tables in Paragraphs 4:2:, a period of about 77 weeks had been taken to complete the procurement process mentioned above.

- Although it had been planned to get these equipment through provision for the year 2012, purchasing had to be made from provisions for the year 2013, due to the delay in the procurement process.
  - Thirteen categories of drugs had been locally purchased having paid a higher price than supplying price of the Medical Service Division amounting to Rs.7,512.582 by the Kandy Teaching Hospital.
- (iii) A sum of Rs.547,535 had been paid as salaries to two doctors who had obtained no-pay leave to study for Post Graduate Degree. While a further sum of Rs.3,494,797 had been paid to 6 doctors who had taken no-pay leave during the years 2011 and 2012 to study for the Post Graduate Degree, the amount due to be recovered as at the end of the year under review was Rs.640,752. An over payment of Rs.582,862 had been made having prepared salaries under 02 salary numbers, to two medical officers who obtain the salary from the Ministry.
- (iv) The provision made in the 2013 Annual Budget for payment of overtime and holiday pay to the staff of the Ministry had been Rs.58,000,000. The expenditure incurred in excess of the provision had been Rs.23,701,275, due to spending a sum of R. 81,701,725 for that. Instances of paying both, either the overtime or Holiday pay and 1/20<sup>th</sup> allowance payable for week-end duties for work performed on the same day were observed.
- (v) Although three lift operators to whom salaries are paid by the Ministry had been engaged in-service, it was observed that there was no operator to operate the lift. However, payment of salaries and recommendations of annual increments had been made without engaging them in the relevant work. A sum of Rs.1,053,304 had been paid to the three lift operators during the period from January to April 2014. Information relating to place of engagement in service and the basis of release of one individual out of them was not furnished.
- (vi) While it had been decided to pay 65% of the proposed change with effect from 1 January 2004 and 15% with effect from 01 April, by drawing attention to General Circular No. 01-02/2004 dated 02 February 2004 vide General Circular No. 01-02/2004(ii) dated 19 February 2004 of the Secretary to the Ministry of Health Nutrition and Welfare no mention had been made regarding the balance 20% Although it had been informed by letter No. HM/AD/AS/002 dated 07 August 2005 of the Secretary to the Ministry of Health, not to add the balance amount to the salary in making salary conversion in terms of Circular No. 2/130/2005(9/2004), salaries had been computed contrary to the instructions and overpayments had been made to officers in 04 hospitals during the year 2005.

- (vii) Although it had been proposed to allocate a provision of Rs.1000 million to improve the quality of services rendered by the Government Hospital Complex, only Rs.667 million had been provided. Out of that, total advance paid to 09 Provinces had been Rs.182,773,800 and value of Project activities performed at the end of the year 2012 had been Rs.81,058,765. While details of works relating to Rs.101,715,035 were not furnished, it was observed that the progress had been 44%.
- (viii) While the total provision allocated for the Sabaragamuwa province for the years 2012 and 2013 had been Rs.60 million, the total value of bills submitted by the Sabaragamuwa province amounted to Rs.141,767,111. Accordingly, it was observed that, commitments for payments exceeding the provisions had been Rs.81,767,111.

**(ix) Rendition of Services for Cleaning**

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Following matters were observed.

- In entering into contracts for providing cleaning services in Hospitals belong to the Central Government during the period from 01 June 2013 to 31 July 2014, between the Director General of Health Services and the contractors; had been delayed in 25 days to 03 months and 25 days. In 05 hospitals agreements had not been entered into with contractors selected for cleaning work although 04 months had elapsed from the relevant date of assignment.
- It was observed that value for money is not received for the amount spent on cleaning services in the National Mental Health Science Institute, the Colombo South Teaching Hospital, the Kandy Teaching Hospital and the Gampola Base hospital due to lapses such as inadequate deployment of employees, deployment of feeble and disabled employees, lack of supervision, lack of chemicals required for cleaning, deployment of inexperienced employees by the contractors.
- In electing the firm for cleaning service in the Lady Ridgeway Hospital, attention had not been made with regard to the matters in the bid conditions by the Technical Evaluation Committee. Overheads of the selected firm had been increased by 225% during the year 2013/2014 when compared with the year 2012/2013. While the estimated amount for the cleaning service for the year 2013 had been Rs.23,940,000, a total cost of Rs.37,881,920 (without VAT) had been agreed upon with the selected firm. However, a sum of Rs.23,541,920 had been paid in excess of the estimate. When that excess compared with the estimated cost, it amounts to a 58 Percent increase. It was observed that one of the reasons for inadequate

cleaning process is inadequate application of germ-killers. In spite of continuous lapses, same firm had been selected for the cleaning service for the year 2013/2014 as well.

**(x) Health Development Fund**  
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During the year under review a sum of Rs.312 million had been invested on Fixed Deposits and Treasury Bills, without utilizing funds for functions to be performed in terms of the Health Development Fund. Further, there was a balance of Rs.172 million in the Fund as at 31 December 2013.

**(xi) Thripasha Programme.**  
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Following observations are made.

- Although it had been planned to manufacture and distribute Thripasha, having obtained the monthly requirement of Thripasha from Island wide Medical Offices of Health, a number of offices had not sent the information relating to own monthly requirements. Forty three Medical Health Offices in the Kandy District had not reported their requirements during the period from October 2013 to May 2014. While the delay in sending these reports had been attributed to trade union action of Family Health Officers, there was no evidence to substantiate that Thripasha had been duly received by the beneficiaries. Accordingly, it was not possible to confirm that Thripasha sent by the Company had been duly received to the Institutions.
- It was revealed that 12,500,000 poly bags were required for packing Thripasha. While a sum of Rs.3.90 has to be spent per bag for printing, a decision had been taken by the Procurement Committee to pay a sum of Rs. 48,750,000 to an outside firm for that. A study had not been made to examine whether it is profitable for the Company to buy a printing machine and print the poly bags by the company itself.

**(xii) Anti-Dengue Unit**  
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Following observations are made.

- A stock of 125, 000 Anti-Dengue Clots had been purchased for a sum of Rs.31,250,000 on 18 September 2013 to implement a Mosquito Dunk Pilot Project in order to carry out a research through National Anti-Dengue Unit to ascertain whether Anti- mosquito reaction takes place by dropping clots containing BTI in water stagnated places. An underutilization of 69,970 clots valued at Rs.17,494,550 was observed due to purchase of clots without any



planning with regard pre- identification of mosquito breeding places and method of using.

- In the implementation of the Mosquito Dunk Pilot Project, areas where the most number of dengue patients and deaths had been reported had not been selected. Out of three Medical Offices of Health selected, it was expected to provide clots to two Offices and in other Office it was required to make a more effective study by utilizing BTI Liquid. However, Dunk Clots had been provided to all the three Offices and Pilot Project had not been implemented by utilizing BTI Liquid. Accordingly, it had become a problem to conclude the effectiveness of using BTI Liquid and BTI Clots. A report too, had not been submitted having finalized this research.
- As it is not adequate to conduct the survey work in 100 houses in each Health Service Division, it had been decided to work out the quantity required to carry out the survey in 250 – 300 houses for two months in a division of Medical Officer of Health and accordingly the quantity required had been 1200 Dunks. However 125,000 Dunks had been purchased.
- While three Anti-Dengue Weeks had been declared during the year 2013, for continuous operation of Anti-Dengue works at maximum level, advances amounting to Rs.18,642,000 had been given to conduct free voluntary work having sorted out high risk areas of Medical Offices of Health. However instances of performing other works without fulfilling Anti-Dengue works during the Anti-Dengue weeks were observed. Any report had not been submitted with regard to the activities during Anti-Dengue weeks in Medical Officers of Health Divisions.
- Provision amounting to Rs.42,125,195 had been made for the year 2013 for Anti-Dengue activities in the 26 Districts. When compared with the number of dengue patients and deaths during the past 05 years, instances of allocating lesser amount of provision to Districts where higher percentage in number of patients and deaths reported and higher amount of provisions to Districts where lesser percentage in number of patients and deaths reported were observed.
- A sum of Rs.223 million had been spent for the purchase of medical equipment and other equipment for the Anti-Dengue Unit during the year 2013. The tenders of the 04 suppliers who had submitted lower quotations, than the supplier selected for the tender of supplying 179 Infusion Pumps for a sum of Rs.17,737,326 had not been evaluated on the grounds that they had mentioned that the period for supplying goods would take more than 03 weeks. However, the selected supplier had taken 24 weeks to handover the equipment to the Bio Medical Unit. Accordingly, if the tender was awarded to the suppliers who submitted lower tenders, according to their bids, a favorable portion between Rs.897,250 and Rs.6,263,855 would have

been gained to the Government. Conditions relating to liquidated damages for any period of delay had not been included in the contract agreement.

- Although a sum of Rs.2,300,000 had been reimbursed to the Negombo District General Hospital for the purchase of 20 Infusion Pumps as equipment necessary for Anti-Dengue works, 179 Infusion Pumps had been purchased by Bio Science Division including 20 units for the Negombo Hospital. While the price of one unit of the Infusion Pumps purchased by the Bio Science Division had been Rs.98,620 that was Japanese made. Unit price of the 20 Infusion Pumps had been Rs.115,000 and therefore a loss of Rs.320,580 (16,379 x 20) had occurred to the Ministry.
- Two computers valued at Rs.232,140 purchased for the requirement of a Laboratory which had not been constructed were lying idle over a period of more than 10 months.
- While the Inventory register maintained by the Anti-Dengue Unit had not been updated, it had not been balanced during the years 2012 and 2013 making it possible identify the balances in hand in terms of Financial Regulation 754. Particulars relating to the distribution of 450 units of 4 categories of equipment, issued in favor of the Bacteriology Assistant and balance quantity in hand were not available.
- While 03 Projectors, 02 Electric Screens with Remafe Comafe Control, 02 Nikon Cool Pix R-510 Cameras and two Photo Copying Machines had been purchased for the Ante- Dengue Unit during the year under review, each of those had been issued to an officer of the Ministry. Those items had not been entered in the Register of Inventory in that officer's office.

**(xiii) Contract Administration**

Following observations are made.

- Although the amount payable for the contract of supplying and installing an Electric Generator (KVA 500) for the Suwasiripaya Building of the Ministry was Rs.11,203,360 the amount paid to the contractor had been Rs.11,906,563. Accordingly, the amount overpaid had been Rs.703,203.
- An Electric Generator (KVA 500) for a tax free amount of Rs.9,890,000 had been supplied and used for the Medical Wards Complex of the National Hospital; the contractor had not taken action to rectify certain failures in reliance tests. An Electric Generator (KVA 500) valued at Rs.4.4 million supplied and installed in the Badulla General Hospital too had not been duly handed over to the Hospital due to failures in reliance tests.
- The total maintenance expenditure payable for 02 Electric Generators (KVA 1000) and 04 Electric Generator (KVA 500) purchased during the year 2009 under foreign loans and distributed among 06 hospitals had been Rs.115,892,837 at the rates of Rs.28,692,401 per KVA 1000 Machine and

Rs.14,700,979 per KVA 500 Machine after the end of the guarantee period. The maintenance expenditure payable for the Electric Generators (KVA 500) purchased for the Ministry and the national Hospital are Rs.675,000 and Rs.425,000 respectively. When compared with this expenditure, the above expenditure is very high. It is observed that the cost of purchase of a new machine is less than the maintenance expenditure for 05 years of a machine previously purchased. The incidence of paying a large sum of money for service and maintenance had not been considered in evaluation of tenders and it appears as a management weakness.

- Twenty one contracts valued at Rs.2,082,822,047 entered into agreements at the commencement of the year under review by the Ministry of Health had not been completed on the specified dates. An extension of time of those contracts too had not been taken place. The time delay as at 31 January 2013 had ranged from 02 to 18 months.
- There had been a delay of 1 ½ years in completion of the contract of Rs.6,685,000 for Improvements of Immature Baby Unit of the Nuwaraeliya General Hospital. This delay had been due to the failure in handing over the work site after settlement, to carry on the construction works without any obstacle.
- Although more than 03 years had elapsed having paid a sum of Rs.20,230,045 on 16 September 2011 as an advance, for construction of a building valued at Rs.90,312,712 for the Barberton Telic Bolt unit of the Hambanthota District General Hospital, work of the relevant contract had not been commenced.
- According to the Cabinet decision, it had been stated that payments for contracts given on subject to rendition of cost statement basis, should be made subject to approval of the Permanent Technical Committee of the Ministry of Construction and Engineering Services, a sum of Rs.3,062 million had been paid for 13 contracts in 13 hospital premises, without an approval for quotations as at 31 December 2013.
- Following observations are made in this connection.
  - Agreements had not been signed for the contracts.
  - Cost Estimate had been prepared by the contractor himself.
  - The late period of the contracts on the basis of approval of Fixed Price Committee and alteration of plans ranged from 10 months to 02 years and 03months.
- While the contract for the construction of Millennium Wards and Para Medical Service Building of the Colombo South Teaching Hospital had been awarded for a sum of Rs.398,139,547 (tax free) during the year 2006, approval for the building plan from the Municipal Council and approval of

the Urban Council in the relevant area of authority had not been obtained. While extension of time had not been approved by the Consultancy Institution, contractor had abandoned the work site. Construction Contract had not been finalized although 7 years had elapsed and the Electric Lifts, Washing Equipment, and Air Condition Matins had not been taken to use.

- Agreement for the contract for the construction of Nursing Hostel of the Maharagama Cancer Hospital estimated at a value of Rs.71,759,005 had been signed after 03 years from the date of commencement of the construction work. A sum of Rs.32,036,,246 had been paid without agreement being signed.

**(xiv) Cosmetic Equipment and Drugs Regulatory Authority**

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Following observations are made.

- The matters relating to materiality and the quality of each item of Cosmetic Drugs and Equipment should be evaluated widely on the basis of the standards and specifications of the manufactured country. Although there should be a Special Grade Pharmacist and 25 Pharmacists according to the approved cadre, 20,000 applications had been received for evaluation work relating to Cosmetic Drugs and Equipment, while 16 Pharmacists were engaged in evaluation work without a Special Grade Pharmacist. Under this situation, 5 applications have to be evaluated by one Pharmacist in a day. It was observed that there were delays in registration due to shortage of Pharmacists.
- Although 2,175 vouchers had been prepared as at 31 December 2013 for issue of Registration Certificates after evaluation of applications for Cosmetic Drugs and Equipment registration, action had not been taken to obtain registration Certificates by the applicants. The gross estimated income receivable for registration certificates was about Rs.9,291,000.
- It has been stated in Section 39 (a) (1) and Section 42(a) (1) of the Cosmetic, Equipment and Drugs Act No. 27 of 1980 as amended by the Gazette Notification dated 18 September 2012, that any cosmetic variety and a particular equipment can not be advertised by any person without prior written permission of the Authority. While the total number of Commercial Advertisements submitted for registration during the year 2013 had been 420, registration had been granted to 206 applications. Although the registration had not been granted to the balance 214 advertisements as at 20 May 2014, date of audit, it was confirmed that those advertisements are being published.
- While 8258 applications had been received for registration of cosmetic during the period from the year 2011 to year 2013, work had been completed relating to 6535 applications. In registration of cosmetics a

quality examination had not been carried out. Although it had been found at present that cancer risk could be arisen through cosmetic, vanities of cosmetic had not been referred to quality test, having taken attention to that risk.

- While attention of the Management was drawn with regard to the procedure in issuing Letters of No-objection through audit queries raised during the years 2011 and 2012, it was informed that those letters are issued for obtaining the drugs to the State Pharmaceutical Corporations and other State Institutions. Out of the 1680 Letters of No-objection issued during January to December 2013, 811 letters had been issued to the private sector. It was observed that tenders had been awarded to import drugs to institutions which had not been duly registered for supplying drugs to Government Institutions causing reasons to issue Letters of No-objection to those Institutions, and providing opportunity to creep through rules and regulations under the label "Urgent Needs". Accordingly, it was observed that, an incident of gaining permission to import dugs without quality test is taking place and there is risk of flowing inferior quality drugs into the Country.
- When matters such as Registration of more than 10,000 Drug Names and Trade Names, and receipt of more than 1500 new applications for registration, lack of a proper scheme to control those, and limitations in examining samples in the use and production of drugs are taken into consideration General Public in the country are faced with a difficult situation. Registration of the same drug under various trade names has caused this problem. For example there are 40 trade names for Paracetamol 500 mg Drug and 60 trade names for Amoxicillin Drug.

**(xv) National Hospital**

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Following matters were revealed.

- Goods valued at Rs.14,197,420 had been purchased in 05 instances exceeding own provision limit of Rs.500,000 by the Regional Procurement Committee.
- More than 50% of estimated quantity of chemicals relevant to 03 categories had to be purchased locally, and in making those purchases an extra payment of Rs.2,038,447 had to be made over and above the supplying prices of the Medical Supply division.
- Selection of an Institution for the purchase of a Plasma Bacteria Filter Machine valued at Rs.7,103,623 for the National Hospital contrary to the recommendations of the Procurement Committee; installation of that machine requisitioned according to the needs of the National Hospital in a

place not suitable to the necessity; damages to the machine due to installation in a place without sufficient space, non-installation of the machine in a place with sufficient heat to operate the machine; expiry of the effective period of the components and causing unnecessary fruitless expenditure of Rs.6,030,980 during the period from January to October 2013 for bacteria filtering due to non-utilization of the machine.

- While Air Condition Machines installed in 06 sections of the National Hospital had not been duly serviced and maintained, 47 Air Condition Machines were in defunct position.
- Matters observed in examining the Orthopedic Work-Shop are as follows.
  - When the number of days worked compared with the work performed by the employees, their productions had been at a lower level and there was no proper procedure for effective utilization of existing machinery, space and labour in the Sri Lanka National Hospital.
  - It was not possible confirm the position relating to the structure of the posts, in the absence of an Organization Chart relating to the Orthopedic Work-Shop approved by the Treasury.
  - While the students who had completed the course of the Sri Lanka School of Prosthetic and Orthotic had been attached on contract basis, necessary action had not been taken by the Ministry of Health to absorb them to the permanent cadre.
  - Although two employees engaged in service as the Manger of the Orthopedic Work-Shop and the Limb Maker of the Sri Lanka National Hospital had been given training from this school, action had not been taken by the Senior Management to get a proper advantage from that knowledge.
  - According to the Register of Waiting List of the Sri Lanka School of Prosthetic and Orthotics, the patients waiting to get limbs made as at 21 March 2014 had been 330 and, if the functions of the Orthopedic Work-Shop are carried out efficiently, an effective service could be provided to the patients.
  - The Ministry of Health had not maintained the files methodically with relevant details relating to the Sri Lanka School of Prosthetic and Orthotics. A Corporate Plan and an Action Plan had not been prepared relating to this Project. The Government Contribution for this Project for the period from the year 2011 to 2013 had been Rs.20,483,268. It is observed that any information relating to the financial contribution made by the Nippon Foundation and Cambodian Board of Trust assisting this Project were not reveled in audit and that a proper

supervision or control had not been made with regard to financial expenditure under the Ministry of Health.

- Although an approximate sum of more than Rs.50 million is being spent monthly for drugs by the National Hospital, reconditioning of rooms to ensure safety and quality of drugs stored in the internal Medical Stores had not been carried out up to 23 April 2014.
- The Director of Medical Supplies had informed through circulars to the Hospital that 10 categories of drugs have failed the quality test and by that time 3.33% to 69% of those drugs had been issued to the patients. Out of the quality test failed drugs during the year 2013, there were 1,006,859 units of 24 categories valued at Rs.6,443,712 in the Internal Dispensary and 361,057 units of 11 categories valued at Rs.1,577,387 in the External Dispensary.
- The total sum spent under foreign loans for the establishment of Neurophysiology Unit in the National Hospital had been Rs.3,654,510,933 for the purchase of furniture and medical equipment amounting to Rs.43,329,448 and Rs.820,018,985 respectively. It was revealed that out of 77 beds in the Incentive Care Units, only 27 beds are in operation and that in other wards and operation theaters half of those are in operation at present, although 03 years have elapsed after opening the unit. This had been due to shortage of staff and equipment. It was further revealed that a feasibility report had not been obtained regarding the suitability of constructing subjects of this nature before commitment. It was revealed that the Cadre applied for the Unit when compared with Cadre approved by the Director General of the Management Services Department had not been granted in a range between 50% to 90% and when the Cadre employed is compared with the approved Cadre there was an excess in a range between 28% and 525%.

**(C) College of National Mental Health Science**

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Following matters were revealed.

- (i) Although the repair works of the drainage system which had been defunct since the year 1996 had been commenced by the Buildings Department as at 20 September 2013, information relating to estimated cost, date to be completed etc., were not furnished to audit by the Management of the Hospital.
- (ii) There was an adverse effect to the sanitary activities of the Hospital due to lack of performance of the specified duties by the Public Health Inspector engaged in service of the Hospital.

- (iii) Although a sum of Rs.3,467,971 received as a donation to the Institution could have been utilized with a proper plan and management for hospitality service to patients, such action had not been taken.
- (iv) The contract valued at Rs.435,177 relating to repairing a garage had been estimated on piecemeal basis without preparing a Total Cost Estimate, contrary to paragraph 23 of the Register of Financial Delegation of Authority of the Ministry of Health. Tenders had not been called for under competitive price quotations for this repair work as well.
- (v) Although the jeep assigned to the Hospital by the Ministry had been repaired having spent a sum of Rs.391,350, it had not been possible to run. While it had been informed to take back this vehicle to the Ministry vide a letter sent by the Director of the Hospital, it had been parked in the Hospital Premises without being handed over.

**(d) Kandy Teaching Hospital**

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Following matters were revealed.

- (i) The quantity of drugs requisitioned by the Hospital had not been supplied in required quantities on the during the specified period by the Medical Supplies Division and those drugs had been purchased locally. Due to that, a price higher than the Prices paid by the Medical Supplies Division had to be paid. Accordingly, an extra sum of Rs.7, 512,582 had been paid for 03 categories of drugs during the January to October 2013.
- (ii) Although request had been referred to the Medical Supplies Division in about 34 instances whether the drugs recommended by the Specialist Doctors to patients are available in the Medical Supplies Section or approval could be given for local purchase, any response had not been made by the Medical Supplies Division excel in 12 instances.
- (iii) Although it had been made known to all officers through a letter issued by the Secretary to the Ministry of Health that the Director of Establishments has not agreed to pay the Allowances for Lunch Time Disturbance of duty, Transport and Attendance to Lady Medical Doctors who are on Maternity Leave according to the Budget Proposals for 2012, the Secretary to the Ministry had cancelled that letter and informed to pay those allowances again. However, approval of the Treasury, or Director of Establishments or National Salaries and Cadre Commission had not been obtained for that.



- (iv) Drugs valued at Rs.6,703,491, relating to 186,269 units of 35 items in the Kandy Teaching Hospital during January to November 2013 had failed in quality tests.
- (v) Equipment valued at Rs.5,000,000 had been kept without being used in the stores of the Cancer Beam Treatment Unit.
- (vi) Shortage of Permanent Face Makers had caused 159 patients to be in the waiting list to undergo Permanent Face Makers Operations in the Face Maker Unit of the Cardiology Section of the Hospital. Although the Hospital Management had been made to understand to make available these, there was no evidence that attention was paid regarding this matter.

**(e) Gampola Base Hospital**

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 Following matters were revealed.

- (i) Although the average number of patients attending the Out Patients Dispensary was between 800 to 900 patients, the sanitary facilities provided by the Hospital were at a minimum level. This situation had caused, inconvenience to patients and untidiness in the Hospital.
- (ii) The penalty of Rs.402,075 to be recovered from a doctor who had been attached to this Hospital and did not report for service at the end of the study leave abroad had not been recovered up to 01 July 2013.
- (iii) Action had not been taken to recover a sum of Rs.100,000 together with all other expenses born by the Government from a Nursing Officer who breached agreement to serve 10 years from the date of appointment on 12 October 2004.
- (iv) While meters had not been fixed for water and electricity supply to Residential Doctor's Official Bungalow and the Single Nursing Officer' Hostel, any recovery had not been made from Specialist Doctors occupying 06 rooms of the Residential Doctor's Official Bungalow.
- (v) Drugs valued at Rs.869,450 relating to 1,232,442, units of 23 items in the Gampola Base Hospital had failed in quality tests. Those drugs had not been sent to the State pharmaceutical Corporation in terms of the Circular No. WMS/01/13/2009 dated 21 May 2009 of the Ministry of Health Care and Nutrition and had been stacked in the stores. Due to this difficulties had arisen with regard to store-keeping of drugs receiving from day to day.

**(f) Lady Ridgeway Children's Hospital**

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Following matters were revealed.

- (i) While the ambulance met with an accident on 01 September 2011 had had been handed over to the Hospital after finalizing repair works, it had not been possible obtain the insurance compensation due to lack of insurance cover. The estimate relating to the repairs had been Rs.432,000.
- (ii) The lorry which should not be repaired according to the instructions of the Ministry had been parked in the Hospital Premises for nearly 3 years from 18 August 2011 | without running.
- (iii) While a sum of Rs.1,077,831 had been paid to the Electricity Board to rectify the problem of disconnection of electricity supply from time to time in the circuit of the Ward 04, a detailed estimate had not been submitted by the Electricity board for that work. Evidence had not furnished to justify the quotations submitted.

**(g) Bio-medical Engineering Service Division.**

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Following matters were revealed.

- (i) Cost relating to labour and spare parts is included in the Annual Service and Maintenance Cost. In examination of the service records in the files relating to service and maintenance, it was observed that the entire total cost had been paid as mentioned in the agreement, in situation where spare parts had not been fixed. Accordingly a sum of Rs.45,700,840 had been paid for the labour cost alone, although spare parts had not been fixed. Owing to making payment in this manner a fruitless expenditure is incurred causing a substantial loss to the Government and value for money is not received for the work performed. It was observed that a large sum of money could have been saved if the agreements were entered into make payment for labour only in the instances of fixing spare parts.
- (ii) In purchasing 62 Spot Lamps for a sum of Rs.4,789,500, the Institution that had submitted the second lower quotation had been recommended although the technical specification No. 6 and 7 had not been fulfilled. The expiry of the validity of the registration certificate issued by the Cosmetic and Drugs Authority on 02 July 2012 had not been taken into consideration by the Technical Evaluation Committee and technical specifications had to be

evaluated again. Therefore a period of more than one month had been taken to get the approval of the Procurement Committee. It was observed that is delay was due to negligence of the Technical Evaluation Committee.

- (iii) When purchasing 21 High Pressure Sterilizers for a sum of Rs.142,080,386, purchase had not been made from the Institution that had submitted second lower quotations and had fulfilled all specifications as recommended by the Technical Evaluation Committee. Approval had been granted by the Procurement Committee to make the purchase from the Institution that had submitted the lowest quotation on grounds of the economic benefit to the Country. However, according to the Institution selected for this purchase, the net present value of service and maintenance expenditure for future 5 years after expiry of the guarantee period had amounted to Rs.55,540,795, while the quotations rejected Institution had exempted service and maintenance charges for the first year and the net present value of service and maintenance expenditure for the balance 4 years had been Rs.1,233,367. It was observed that, in evaluation of quotations, the cost of maintenance after the expiry of the guarantee period had not been considered on the basis of present value of such expenditure and supplier had been selected on the basis of lowest price alone. Due to that a loss of Rs.45,061,689 had been occurred.
- (iv) In the purchase of 08 C-Arm X-Ray Machines for a sum of Rs.64,035,256, there had been a delay of 3 ½ months to establish the Letter of Credit from the date of awarding the contract. Although it was required to install these machines before end of March 2013, there had been a time delay ranging from 05 to 06 months to install the machines in 6 Hospitals. In Kegalle Hospital this machine had not been installed even up to the end of the year 2014 due to lack of a suitable place.

**(h) Ratnapura General Hospital**

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Following matters were revealed.

- (i) In placing orders for drugs actual need for the Hospital had not been taken into consideration, while proper attention had not been made with regard to date of manufacture and quality in purchasing the drugs. Due to these lapses, there were out dated and quality tests failed stocks of drugs totalling to a value of more than Rs.7,914,058 and surgical equipment not used over a long period of time were in the stores.

- (ii) Although the drainage system which is in very old condition, need to be repaired due to cracks on the bund, any maintenance work had not been carried out even up to the end of the year 2013.
- (iii) When making payments to contractor for washing service of dirty linen, it had not properly supervised to ensure that service is performed with due care with regard to the sanitary and legal requirements in the agreements and there were evidence to support that the quality of work was poor when compared with the sum of Rs.2,219,613 paid for the service during the year 2013. Service had been obtained continuously from the same contractors and payments had been made without recovering penalties or terminating the contacts in terms of the agreements after examining the written reports received relating to the lapses.
- (iv) While action had not been taken in terms of paragraph 5 of Chapter xix of the Establishments Code in recovering the house rent from an officer entitle to scheduled quarters, a sum of nearly 0.7% of the salary had been recovered as rent of official quarters from a Medical Officer, in respect of Medial Quarter only. Although the actual expenditure for the supply of water, electricity and gas for official quarters should be paid by the officer according to the Establishments Code, it was revealed that a lessor amount when compared with the cost consumption, at the rate of Rs.25 per Nursing Officer and at the rates of Rs.50 and Rs.100 per other officer had been recovered for water and electricity, when compared with whole expenditure of Rs.42,038,772 paid for the year 2013 Ratnapura General Hospital.

**(i) Peradeniya Teaching Hospital**

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Following matters were revealed.

- (i) Platelet Agro meter machine purchased from a private Institution for a sum of Rs.4,129,000 on 24 May 2010, had been stored in the laboratory without being used as at 22 January 2014, date of audit. At the physical examination carried out on that date it was revealed that the monitor of the computer of which guarantee period had been over was misplaced.
- (ii) Action had not been taken to recover the total sum of Rs.2,272,694 recoverable to the Government from three Medical Officers who obtained the entitlement to no-pay leave and engaged in foreign employment for non-reporting for service on the specified date in terms of the agreements.

**(j) Ground Rent Income of Hospitals.**

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Following matters were revealed in the examination of the Ground Rent Income

- (i) One of the canteens of the Anuradhapura Teaching Hospital had been given on tender for monthly rent of Rs.1,528,000 for the year 2012/2013. The arrears of canteen rent outstanding to be recovered from that contractor as at 08 December 2014 amounted to Rs.18,000,000.
- (ii) A monthly rent or any charge on account of consumption of water and electricity had not been recovered from the canteen carried on by an outside person in the Doctors' Hostel without legality, since April 2012.
- (iii) Following matters were revealed in the examination of rent income of the Hospital Ground of the Colombo South Teaching Hospital.
  - Arrears of rental income recoverable for December 2012, February and April 2013 from the canteen carrying on business in the Hospital ground had been Rs.1,087,060.
  - While the dates of installation of 2 Teller Machines by a State Bank and a Private Bank could not be traced, the annual ground rent for that had been assessed at a rate of Rs.30,000. The annual rent recoverable from the State Bank had not been recovered even as at 31 December 2013.
  - A rent or charges for water and electricity had not been recovered from the canteen and the book-shop carrying on business in the Medical Hostel and the New Building. Although portions of land of Hospitals had been given on rent to outside institutions and individuals, the extent of land had not been identified specifically.
- (iv) Instances of long delays more than 80 days and lack of action in terms of the agreement were observed in the recovery of rent in the Ratnapura Hospital. A portion made out of sheets had been added to the canteen building and electricity power had been obtained in unsecured manner without prior permission for storage of raw dry foods and preparations of food. The contract for the year 2013/2014 too had been assigned to the present contractor.

**(k) Kurunegala Teaching Hospital**

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 Following matters were revealed.

- (i) Matters such as using the Drug Stores Complex for other activities and storage of boxes containing drugs without safety were observed in field inspections. While quantity 365,400 units of 07 categories of consumable surgical material had been stored in two rooms of the Cancer Ward Complex, boxes containing drugs had been stacked without safety, in the corridors of two floors.
- (ii) It was observed that 540,185 units of substandard drugs of 42 categories, and 44,322 units of surgical medical equipment of 06 categories were in the stores. At the time of receiving notifications to drop the use of these stocks, a part of those had been issued to the wards and outside drug stores. It was observed that there is risk of getting substandard drugs to patients, due to issue of drugs before examining samples by the Medical Supplies Unit.

**1.15 Human Resources Management****-----  
 Approved and Actual Cadre  
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Cadre position as at 31 December 2013 was as follows.

	<b>Category of Employees</b>	<b>Approved Cadre</b>	<b>Actual Cadre</b>	<b>Number of Vacancies</b>
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(i)	Senior Level	13,245	11,902	1,343
(ii)	Tertiary Level	30,946	24,251	6,695
(iii)	Secondary Level	5,093	3,467	1,626
(iv)	Preliminary Level	28,746	21,699	7,047
	<b>Total</b>	<b>78,030</b>	<b>61,319</b>	<b>16,711</b>
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Following observations are made.

- (a) There was a surplus of 536 employees of 25 categories of posts over the approved cadre and 430 vacancies of 28 categories of posts in the Kurunegala Teaching Hospital.

- (b) Ninety seven employees of 12 categories had been engaged in service in excess of the approved cadre in the Colombo South Teaching Hospital. Similarly, there were 394 vacancies relating to 31 posts. There were shortages of 257 Nursing Staff and 59 Minor Staff in 20 Wards, 02 Operation Theaters, Immature Baby Units (S.C.B.U.), Labour Rooms, Incentive Medical Care Unit, Hematology Clinic and Endoscopy Section relevant to these vacancies.
  
- (c) When the approved cadre of the Gampola Base Hospital is compared with actual cadre as at 30 June 2013, there was a shortage 104 officers relating to 30 posts and a surplus of 25 officers relating to 05 posts. Within this shortage there was shortage of 04 Pharmacist Officers and therefore it had not been possible provide an efficient service to the patients.
  
- (d) While 13 employees had been engaged in 04 posts not approved during the year 2013, in the Ratnapura Provincial General Hospital, there was a shortage of 237 in 37 Posts.