

**Report of the Auditor General on Head 138 – Ministry of Indigenous Medicine and  
Department under that Ministry -2014.**

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Paragraphs 1 to 2 of this report contain the general information on the Accounts of the Ministry and the Departments under that Ministry and audit observations on each Expenditure Head appear in paragraph 3 onward.

**1. Department under the Ministry**

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Head	Department
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220	Department of Ayurvedic

**1.1 Scope of Audit**

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The audit of the Appropriation Account including the financial records, reconciliation statements books, registers and other records, Advance accounts and Reconciliation Statements of the Ministry of Indigenous Medicine and Department of Ayurvedic referred to above for the year ended 31 December 2014 were carried out in pursuance of provisions in Article 154 (1) of the Democratic Socialist Republic of Sri Lanka. The Management Audit Reports for the year under review were issued to the Secretary to that Ministry and the Head of Department on the under mentioned dates. 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 audit coverage as possible within the limitations of staff, other resources and time available to me.

Head	Ministry/ Department	Date of Issue of the Management Audit Report
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138	Ministry of Indigenous Medicine	02 July 2015
220	Department of Ayurvedic Scope of Audit	09 July 2015

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

The Chief Accounting Officer and the Accounting Officer are responsible for the maintenance, preparation and fair presentation of the Appropriation Accounts 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.

## 2. Accounts

### 2.1 Appropriation Accounts

#### (a) Total Provision and Expenditure

While the total net provision made for the Ministry and the Department under the Ministry amounted to Rs. 1,868.56 million, a sum of Rs. 1, 627.70 million had been utilized as at the end of the year under review. Accordingly, savings of the Ministry and the Department out of the net provision had been Rs. 72.42 million and Rs. 168.44 million or 13.90 and 12.49 per cent of the net provision respectively. Details are shown below.

As at 31 December 2014

Head	Net Provision	Utilization	Savings	Savings as a Percentage of Net Provision
	Rs. Million	Rs. Million	Rs. Million	%
138	521.00	448.58	72.42	13.90
220	1,347.56	1,179.12	168.44	12.49
	1,868.56	1,627.70	240.86	12.89

## 2.2 Advance Accounts

### 2.2.1 Advances to Public Officers Accounts

#### Limits Authorised by Parliament

The limits authorized by Parliament of the Advances to Public Officers Accounts for the Ministry and the Department under the Ministry and actual amounts are given below.

Item No	Expenditure		Receipts		Debit Balance	
	Maximum Limit	Actual	Minimum Limit	Actual	Minimum Limit	Actual
	Rs. million	Rs. million	Rs. million	Rs. million	Rs. million	Rs. million
13801	13.00	9.59	4.00	6.97	36.00	23.74
22001	30.00	29.43	21.00	28.15	170.00	78.52

## 2.3 General Deposits Accounts

The balances of Deposit Accounts of the Ministry and the Department under the Ministry as at 31 December 2014 totalled was Rs. 23.31 million. Details are given below.

Ministry/ Department	Deposit Account No.	Balance as at 31 December 2013
		Rs.million
Ministry of Indigenous Medicine	6000/0000/00/0015/0050/000	0.64
Department of Ayurvedic	6000/0000/00/0015/0101/000	22.67
Total		23.31

## **2.4 Audit Observation**

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According to the Financial Records and books for the year ended 31 December 2014, it was observed that subject to the audit observations appearing in the management audit reports, the Appropriation Account and the reconciliation statements of the Ministry of Indigenous Medicine and the Department of Ayurvedic had been prepared satisfactorily. Out of the those observations included in the management reports, material and important observations appear in paragraphs 3 to 4 herein.

## **3. Head 138 - Ministry of Indigenous Medicine**

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### **3.1 Non -maintenance of Registers and Books**

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The Ministry had not maintained a Register of Fixed Assets in terms of Treasury Circular No. 842 dated 19 December 1978.

### **3.2 Replies to Audit Queries**

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Replies had not been furnished to 07 audit queries issued during the year under review and 04 audit queries issued during the previous years even up to 03 July 2015.

### **3.3 Appropriation Account**

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#### **3.3.1 Budgetary Variance**

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Following observations are made.

- (a) The entire net provision of Rs. 8,835,000 made available under one Expenditure Items had not been spent.
  
- (b) Saving after utilization of the net provision were in a range between 10 to 98percent due to excessive provision made under 28 Items of Expenditure.

### **3.4 Reconciliation Statement relating to Advances to Public Officers Account.**

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Following lapses were observed in the sample audit check carried out with regard to Reconciliation Statement relating to Advances to Public Officers Account Item No. 13801 as at 31 December 2014.

- (a) While the total of outstanding balances to be recovered in arrears as at that Date amounted to Rs. 1,295,374 according to the reconciliation statement submitted to the audit; those balances in arrears were being brought forward over a period ranging from 01 to 05 years. However, the follow up action for the recovery of those balances in arrears was at a weak level.
- (b) Loans amounting to Rs. 416,490 had been paid by the Ministry without following the laid down provisions.
- (c) The total of loan balances obtained by an officer who left on transfer on 15 July 2005 had been Rs. 288,618. Although that file should be kept in the custody of the Ministry in terms of Clause 1:7 of Chapter XXIV of the Establishments Code, that loan file was not submitted to audit. While the loan balance of that officer had not been settled even as at 31 December 2014, action had not been taken to recover those loan balances by the Ministry.
- (d) Action had not been taken to recover loan balances totaling to Rs. 129,499 of three deceased or retired officers from their death gratuity or pension gratuity.
- (e) Although loan balances of Rs. Totaling Rs. 541,545 of 06 officers who left on transfers during the year 2014 had been had been settled through the monthly account summaries, information relevant to that had not been furnished to audit.

### **3.5 Good Governness and Accountability.**

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#### **3.5.1 Annual Procurement Plan**

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Annual Procurement Plan in terms of National Budget Circular No. 128 dated 24 March 2006 had not been prepared even as at 31 December 2014.

#### **3.5.2 Internal Audit**

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While an internal audit officer had been appointed to the Ministry for the years 2014 an adequate internal audit unit had not been carried out. Only one audit query had issued by the internal audit unit consisting of two officers during the year under review.

#### **3.5.3 Audit and Management Committee**

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Instead of 04 meetings of the Audit and Management Committee to be conducted During the year under review only 02 meetings had been conducted.

### **3.6 Assets Management**

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The following deficiencies were observed in audit test checks carried out in respect of the assets of the Ministry.

#### **(a) Idle and Underutilized assets.**

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Following observations are made.

- (i) Three buildings in the Government Homeopathy Hospital premises reserved for the laboratory, kitchen and Homeopathy Medical College had been kept idle.
- (ii) While 43 categories of goods had not been in use due to dilapidated condition, suitable action had not been taken by the Board of Survey to remove those items.

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

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Following observations are made.

- (i) Although the Annual Board of Survey for the year 2014 should be carried out Before 17 March 2015 and those reports should be forwarded to the Auditor General items of Public Finance Circular No. 02/2014 dated 17 October 2014, those reports had not been forwarded to the audit even up to 24 June 2015 by the Ministry. The last Annual Board of Survey had been carried out in respect of the year 2013.
- (ii) A Printing Machine and an Electric Kettle recorded in the Inventory Register was not physically available in the Homeopathy Hospital.
- (iii) While 5 air condition machines fixed in the Homeopathy Hospital had been out of order as at 15 March 2015, action had not been taken to repair and use those.

**(c) Assets given to Outside Parties**

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A lorry belongs to the Ministry had been released to the Sri Lanka Ayurvedic Drugs Corporation on 2 June 2013.

**(d) Unsettled Liabilities**

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There were liabilities not settled by the Ministry amounting to Rs. 3,368,929 outstanding for less than one year as at 31 December 2014.  
Following observations are made.

- (i) Payments amounting to Rs. 669,838 in respect of commitments relating to previous years had been made without obtaining approval under Financial Regulation 115.
- (ii) Expenditure incurred amounting to Rs. 120,036 relevant to the year under review had not been shown in the Form D.G.S.A. (i) under liabilities.

- (iii) Liabilities amounting to Rs. 515,999 had been committed in excess of the Savings left after utilization of provision made available for 6 Items of Expenditure.

### 3.7 Non-compliance

#### Non-compliance with Laws, Rules and Regulations

Reference to Laws, Rules and Regulations	Non-compliance
(a) Establishments Code of the Democratic Socialist Republic of Sri Lanka ----- Chapter XII Section 35.1	Certain officers of the Homeopathy Hospital had obtained short leave in excess of 1 ½ hours. Although ½ a day's leave should be approved when short leave had been exceeded, ½ day's leave had been obtained per three instances of exceeding short leave.
(b) Public administration Circulars -----	
(i) Circular No. 41/90 dated 10 October 1990	Fuel consumption test had not been Carried out once in 06 months with regard to 11 pool vehicles of the Ministry of Indigenous Medicine.
(ii) Circular No. 26/92(1) dated 03 August 1994	Government Emblem had not been affixed on a pool vehicle not falling under the vehicle category described in the Circular.

### 3.8 Implementation of Projects under Domestic Financing

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According to the estimate prepared by the Lady Engineer of the Ayurvedic Department for earth filling around the Nutrition House, cost of that had been Rs. 341,941. While the Sri Lanka State Engineering Corporation had been informed vide letter No. 02/01/65-1 dated 02 July 2014 of the Additional Secretary Development, to carry out the earth filling around the Nutrition House without calling for bids of the Engineering Corporation had submitted an estimate for Rs. 863,756 for that. The earth filling work of the Nutrition



House had been entrusted to a Rural Development Society for a sum of Rs. 125,000 vide letter No. 02/01/65-1 dated 12 September 2014 of the Additional Secretary (Development). A sum of Rs. 87,47 had been paid to the Rural Development Society by the Ministry for fulfillment of the relevant work. Following observations are made in this connection.

- (a) Information was not available in the file to support that bids were called for Earth filling around the Nutrition House by the Ministry.
- (b) The work for earth filling around the Nutrition House had been entrusted to a Rural Development Society for a sum of Rs. 125,000 without a recommendation from the Divisional Secretary, contrary to the Paragraph 3.1 of the Circular No. PFD/PMD/Clari/11/02 dated 05 January 2012.
- (c) Although a material variance had taken place as the contract had been Entrusted or a sum of Rs. 125,000, while the Departmental Estimate had been Rs. 341,941 and the State Engineering Corporations had been Rs. 863,750, information to support that an analysis were carried out with regard such variance were not submitted to audit.
- (d) As complains had received that the earth had been obtained from the Borella Hospital Land as well in performing this earth filling, Engineering Assistant had informed only 70 percent of the amount to be paid to the contractor according to the letter dated 24 December 2014 and payment had been made accordingly.
- (e) It was not possible to get a written confirmation in examination of files with Borella to the quantity of earth obtained from the Borella Hospital Ground for earth fillin garound the Nutrition House. Similarly approval for obtaining earth from the Hospital ground had not been obtained.
- (f) Information relating to the basis in determining the amount to be deducted Rs. 37,525 or 30 per cent for the quantity of earth obtained from the Borella Hospital Ground without knowing the specific quantity was not submitted to audit.

- (g) While information relating to quantity of earth used for that work had not been submitted when forwarding the bills by the contractor, a sum of Rs. 87,475 had been paid to the contractor without paying attention to the questionable position relating to the work by the Ministry.

### 3.9 Performance

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Observations relating to the progress of the Ministry according to Annual Budget Estimate for 2014 and Action Plan are shown below.

(a) Main Functions not Adequately Performed.

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Main functions had not been adequately not performed by the Ministry. Few such instances observed are shown below.

- (i) Although the work of the Hostel Building to be constructed in the Homeopathy Hospital Land in Ragama, Welisara having spent a sum of Rs. 55,000,000 should be finalized and handover by 31 December 2014, work there had not been finalized and handed over even as at 25 June 2015.
- (ii) Although a fence to be erected around Homeopathy Hospital Land in Ragama, Welisara having spent a sum of Rs. 10,000,000 should be finalized and handover in December 2014, work there had not been fulfilled even as at 31 December 2014.
- (iii) Although it had been planned to implement the Young Farmers Village Herbal Projects having selected 03 villages according to the Action Plan for the year 2014, only 02 villages had been selected. Herbal Garden of Giranduru Kotte was being carried on already in a part of a village so selected.
- (iv) While it had been planned to harvest by December 2014 after cultivating herbal plants, planting had not been carried out as at 31 December 2014.

- (v) Although it had been planned to appoint an Evaluation Committee For evaluation of uplifting the Conservation Councils according to The Action Plan for the year 2014, such a committee had not been appointed even as at 31 December 2014.
- (vi) Although 109 oil extracting machines and drugs crushing machines Had been requisitioned by the Conservation Councils, only 32 machines had been provided during the year 2014.

**(b) Removal of the Nutrition House due to Roads Development Works**  
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The Nutrition House constructed in Medawachchiya area at a cost of Rs. 300,000 for uplifting the people's nutrition level through publicity of indigenous foods and drinks had been removed in the course of road development works. Information relating to compensation received in that connection and non-construction of that house after roads development works were not submitted to audit.

**(c) Programme for Providing Mobile Sales Vehicles**  
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Ten Mobile Sales Vehicles costing Rs. 94,500 per unit had been provided to beneficiaries in par with the Deyata Kirula exhibition during the years 2013 and 2014 with view to promote indigenous foods by the Ministry. Following lapses were observed in the audit inspection carried out in that connection.

- (i) It was not possible to ascertain from the files submitted to audit the selection of beneficiaries who were provided with sales vehicles.
- (ii) While one agreement entered into with one beneficiary only was available in a file agreements entered into by the other nine beneficiaries were not available in the files.
- (iii) Two beneficiaries who obtained mobile vehicles had handed over their sale vehicles to other two individuals.
- (iv) Two beneficiaries who obtained mobile vehicles had withheld their vehicles idle without complying with the objective.

**(d) Hela Veda Housing Programme**  
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Following lapses were observed in the sample audit examination carried out inconnection with the Hela Veda Housing Programme.

- (i) Although it had been recommended to enter into agreements out in two relevant parties to utilize the buildings constructed in connection with this Project only for Veda Houses according to the observations of the Minister of Finance during the year 2011, such action had not been taken with regard to 42 Veda Houses constructed at total cost of Rs. 40,933,388.
- (ii) While a query had been made during August 2014 through the Divisional Secretaries with regard to the present progress of the Hela Veda Houses, out of the 42 Hela Veda Houses from which progress was called for, 13 Hela Veda Houses constructed at a total cost of Rs. 13,017,857 had not furnished details relating to the progress.
- (iii) When calling for present progress of the Hela Veda Houses from the Divisional Secretaries during March 2014 information had not been called for from 07 Hela Veda Houses constructed at a total cost of Rs.5,470,586.
- (iv) Two Hela Veda Houses constructed at a cost of Rs. 2,007,150 were not in operation as at the end of the year under review.
- (v) While a query had been made by the Secretary (Development) through a letter with regard to the present position of the project Constructed having spent Government Funds by the Ministry, an adequate involvement had not been made with regard to the Hela Veda Houses and not responded in the connection.

**(e) Herbal Gardens**  
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Following lapses were observed in the sample audit examination carried out with regard to the Herbal Gardens functioning under the Ministry.

- (i) Although the maintenance and promotion of research herbal gardens, is a function of the Ministry, in two herbal gardens under the Ministry (Wedagama HerbaGarden 44 acres, Medirigiriya Herbal Garden 25 acres) and in 05 herbal gardens under the Department (Neelabemma 25 acres, MedawachchiyaDangolla 50 acres, Padaviya 25 acres Hival Kandura 100 acres and paella Ambanpola 69 acres) were covered with wild plants and maintenance works had not been carried out.
- (ii) There were problem with regard to vesting lands of the herbal gardens.
- (iii) Ayurvedic Drugs Corporation and the Ayurvedic Department had to buy raw Ayurvedic medicine from outside institutions due to inadequate production from Herbal Gardens.

(f) Planning

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Activities relating to construction of hostel complex in the Homeopathy Hospital land and renovation of administrative building of the Homeopathy Medical Council were not included in the corporate plan of the Ministry prepared for period 2012 - 2016. Those activities had been included in the action plan for the year 2014 and those works had been physically performed.

**3.10 Lapses in the Operation of Bank Accounts**

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In examination of the Bank Reconciliation Statement for the month of December 2014 connected with the accounts of Ministry, following lapses were observed.

- (a) According to analysis of adjustments shown in the bank reconciliation statements, action in terms of Financial Regulation 396(d) had not been taken with regard to 3 cheques issued, but not presented to the bank for more than 6 months and less than one year, totalling to Rs. 21,971.
- (b) Out of the un-identified receipts amounting to Rs. 98,942 mentioned in

the bank reconciliation statement for December 2014, cheques totalling Rs. 95,900 had not been identified even up to the time of preparation of the bank reconciliation statement for the month of January 2015.

### **3.11 Transactions of Contentious Nature**

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Certain transactions entered into by the Ministry had been of contentious nature. Details relating to some of such transactions revealed in sample audit tests are given below.

- (a) Six water filters had been purchased for a sum of Rs. 87,000 during the year under review. Although one of the Institution had submitted a bid at the rate Rs. 14,000 per filter for the purchase of 05 or more water filters, 06 water filters had been purchased having paid a sum of Rs. 87,000 at the rate of Rs. 14,500 per one filter by the Ministry. Accordingly, a financial loss of Rs. 3,000 had occurred to the Government.
- (b) According to the Ministry Minor Procurement Committee Meeting Report dated 10 January 2012 requirement of 100 water bottles per month had been recorded. Bids had been called for the supply of water bottles. Accordingly, it had been mentioned by one of the Institutions that a bottle of water could be supplied for Rs 165 per bottle, if 50 or more purchases of water bottles are made. However, the Ministry had purchased water bottles at the rate of Rs 165 per bottle from another Institution.
- (c) According to the quotations called for purchase of water bottles requisitioned for the drivers room on 02 January 2014, a private institution had mentioned that a water bottle containing 19 litres could be supplied for Rs. 170 per bottle. However, water bottles containing 18.9 litres per bottle had been purchased at the rte of Rs. 175.
- (d) Old medicine bottles of 927 varieties received at the hospital from the Homeopathy Medical Council during May 2012 were in the stores even as at 10 March 2015, date of audit. 367 medicine bottles which had been marked November 2012 as the date of expiry remained without being removed even as at 10 March 2015. Necessary course of action had not been taken accordingly to issue the usable medicine and remove the time lapsed and unusable medicine.

### 3.12 Losses and Damages

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A compensation of Rs. 67,200 had been claimed for the damages caused to an electrical post belong to a private company due to partly collapsed wall of the Homeopathy Hospital. This s had been pointed out in the audit query No. HM/C/MIM/2013/11 dated 05 June 2014 as well. Collapsed part of the hospital wall had not been re-constructed even as at 10 March 2015, date of audit. It was observed in audit that there is risk of collapsing the balance part of the wall on to private house as there were cracks in the balance part of the wall and foundation of the wall.

### 3.13 Human Resources Management

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(a) Approved Cadre and the Actual

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Cadre position as at 31 December 2014 was as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
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(i) Senior level	43	36	07
(ii) Tertiary Level	02	01	01
(iii) Secondary Level	601	377	224
(iv) Preliminary Level	56	47	09
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Total	702	461	241
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Ministry had failed to fill 241 vacancies as at the end of the year under review.

(b) Non-recruitment of a Legal Officer to the Ministry

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Approval had been sought from the Director General of the Management Services to recruit a Legal Officer to the Ministry of Indigenous Medicine vide letter No. 01/06/45 dated September 2012. In response to that request approval of the Management Services Department vide letter No.DMS/C2/37/01 (VOL. 1) dated 02 October 2012 and approval of the Public Service Commission vie letter dated 23 July 2013 had been given.

Accordingly, advertisements had been published in three newspapers having spent a sum of Rs. 87,360. A Legal Officer had not been recruited up to 05 February 2015, date of audit, although 21 application had been received as at 17 January 2014.

#### **4. Head 220 - Ayurvedic Department**

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##### **4.1 Non- maintenance of Registers and Book**

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It was observed in audit test checks that the following registers had not been maintained by Department.

Type of Register	Relevant Regulation
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Register of Fixed Assets	Treasury Circular No. 842 dated 19 December 1978.
Register of Losses	Financial Regulation 110.

##### **4.2 Replies to Audit Queries**

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While replies had not been furnished to 16 audit queries issued during the year under review and 02 audit queries issued during previous years even up to 03 July 2015, value of transactions relevant to those audit queries amounted to Rs. 30,428,558.

##### **4.3 Appropriation Accounts**

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###### **4.3.1 Budgetary Variance**

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Following observations are made.

- (a) The entire net provision of Rs.3, 486,000 made under 03 Expenditure Items had been left un-spent.



- (b) Due to excessive provision made under 23 Items of Expenditure, balance left after utilization of provision was in a range between 10 per cent and 98 per cent of the relevant net provision.

#### **4.4 General Deposits Account**

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Following observations are made.

- (a) Action had not been taken in terms of Financial Regulation 571 with regard to 66 deposits (excluding land deposits) totaling Rs. 2,451,781 remained unsettled for more than 02 years.
- (b) Money kept in suspense in a deposit account should be credited either to relevant account or to Government Revenue depending on the circumstances without making room to be treated as time lapsed deposits in terms of Financial Regulation 571(3). However, action had not been taken in terms Financial Regulations even as at 10 April 2015 with regard to revenue money amounting to Rs. 3,097,500 received during the years 2013 and 2014.
- (c) It had been shown in the Register of General Deposits that a payment of Rs. 49,101 on 03 July 2014 and another payment of Rs. 49,101 on 25 October 2014 were made to a garage for repairing a vehicle belongs to the Ministry, which had met with accidents twice during the same date. Accordingly, an overpayment of Rs. 49,101 had been made as at end of November 2014. Any step had not been taken with regard to officers responsible for this incorrect payment revealed in audit
- (d) Although lists of all lapsed deposits should be prepared at the end of each half year as shown in the Financial Regulation 570, in terms of Financial Regulation 571, such lists had not been prepared.
- (e) Deposits balances amounting to Rs. 28,025 existed in the General Deposits Ledger as at 31December 2013, had not been taken to the opening balances of the year 2014.
- (f) Deposits balances amounting to Rs. 247,504 non-existed as at 31December 2013, had been taken as balances in the General Deposits Account as at 01 January 2014.

- (g) When the list of balances as at 31 December 2014 was examined, it was revealed that Deposits balances valued at Rs. 9,500 existed in the General Deposits Ledger as at 31 December 2014, had not been taken to the balances of the departmental books.
- (h) Deposits balances of Rs. 103,212 paid during the year 2014 had been taken to balances as at 31 December 2014.
- (i) A Balance of Rs. 64,053 existed in the General Deposits Ledger as at 31 December 2014, had not been taken in the computation of the General Deposits Account balance as at that date.

#### **4.5 Reconciliation Statement relating to Advances to Public Officers Account**

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Following lapses were observed in audit sample checks carried out with regard to Reconciliation Statement relating to Item No. 22001 - Advances to Public Officers Account.

- (a) While the total of recoveries in arrears according to the Reconciliation Statement amounted to Rs. 4,874,045, those balances in arrears were outstanding over a period ranging from 01 to 05 years. Follow up action for the recovery of balances in arrears was at a weak level.
- (b) Although the irrevocable power of attorney should be registered in the Land Registry when granting property loans to offices, such action had not been taken by the Department.
- (c) Reasons for the difference shown in the Reconciliation Statement between the total in the Classification Summary of Individual Balances and the Control Account balance at the end of the year amounting to Rs.667,724 were not furnished to audit.
- (d) Loan balances outstanding from officers who left on transfers amounting to Rs. 2,220,155 had not been settled even as at 31 December 2014. Out of these loan balances, total of loan balances that had been outstanding for more than a period of 05 years amounted to Rs. 1,125,664.
- (e) A sum of Rs. 1,248,230 was outstanding from officers who had vacated service as at 31 December 2014. Out of those loan balances, there were loan balances amounting to Rs. 610,750 that had been outstanding for more than a period of 05 years.

- (f) There were Loan balances of Rs. 201,360 outstanding from interdicted officers that had exceeded 05 years as at the last date of the year under review. The course of action taken by the Department in connection with these interdicted officers was not furnished to audit.
- (g) While loan balances totaling Rs. 1,008,800 were outstanding from 22 retired officers as at the last date of the year under review, out of those there were loan balances amounting to Rs. 226,600 that had exceeded 05 years . Action had not been taken by the Department to recover relevant loans from the retirement gratuity of the retired officers.
- (h) While action had not been taken by the Department to settle Creditors amounting to Rs. 24,820, adequate information with regard to those Creditors were not furnished to audit.
- (i) Any loan installment had not been recovered from loan balances of Rs.203,055 outstanding from 7 Public Health Medical Officers during the year 2014.
- (j) In examining the loan files it was observed that signature to be placed on loan cards of 5 officers by the authorized officer on behalf of the Commissioner of Ayurvedic had not been signed.
- (k) A loan of Rs. 70,605 which had been recorded twice in the advance account during the year 2013 had not been corrected even during the year 2014.

**4.6 Good Governance and Accountability.**  
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**4.6.1 Internal Audit**  
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While only one Audit Officer was engaged in the Internal Audit Unit of the Ayurvedic Department during the year under review, about 05 internal audit queries had been raised. Attention of the Department had not been made to strengthen the Internal Audit Unit .

**4.6.2 Audit and Management Committee**  
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Although 04 meetings of the Audit and Management Committee should be conducted for the year under review, only 03 meetings had been held.

#### 4.7 Assets Management

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In sample audit checks carried out in connection with the assets of the Department, following lapses were observed.

##### (a) Idle and Underutilized assets.

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Following observation is made.

- (i) X ray Machine purchased on 26 September 2011 for a sum of Rs. 6,500,000 for the Borella Ayurveda Hospital had been kept idle from 01 November 10 July 2015.
- (ii) The steel iron Elmira of the Ayurveda Research Centre had not been inventoried from the year 2004.

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

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Although the Annual Board of Survey should be carried out before 17 March 2015 and reports should be submitted to the Auditor General in terms of Public Finance Circular No.02/2014 dated 17 October 2014; those reports had not been submitted to audit even as at 24 June 2015. Last Board of survey had been carried out in respect of the year 2013.

#### 4.8 Non-compliance

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##### Non-compliance of Laws, Rules Regulations etc.

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Instances of non-compliance with the provisions of laws, rules and regulations Observed in audit sample checks are shown below.

Reference to law, rules and regulation	Value	Noncompliance
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Rs.	
(i) Financial Regulation 264	1,124,884	(i) Salaries paid amounting to Rs. 1,124,884 to 35 officers during June, July and August 2014 by the Ayurvedic Department had not been acknowledged Placing their signature Even up to 31 October 2014

3,127,326	(ii) Although salaries. amounting to Rs Been paid to 71 Internship Ayurvedic Doctors and 24 Trainee Nursing Officers respectively during March 2014 acknowledgement of those salaries had not been made by Signing even up to 30 March
(ii) Financial Regulation 1645	Running Charts and Monthly Performance Reports of 5 vehicles belong to the Department had not been maintained.
(iii) Financial Regulation 1646	Log Books of 14 vehicles had not been update
(b) Public Administration Circles -----	
(i) Paragraph 02 of Circular N o. EST8/ALOWN/05/0059 dated 24 December 2012	It had been approved to pay mileage for the private vehicle of a lady Lecturer as it is more economical to the government rather than hiring a vehicle vide Letter No.02/04/01/1/2014 dated 29 April 2014 of the Ayurvedic Commissioner . In spite of that a sum of Rs. 27,929 had been paid for hiring a cab vehicle for 03 days by the Department.
(ii) Circular No. 41/90 dated 10 October 1990.	Fuel consumption tests of 39 vehicles belong to the Department had not been carried out even as at 27 October 2014.
(ii) Circular No. 26/92(1) dated 03 August 1994	Government Emblem had not been affixed on 05 non-allocated vehicles belong to the Department even as at 28 October 2014.

(c) Public Finance Circulars

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Paragraph 5 of Circular  
No.364(3)dated 30  
September 2002

Reports relating to a sum of Rs. 709,059 paid to a private company for the year 2012 and a sum of Rs. 548,844 paid to various institutions for the year 2014 as Value Added Tax in terms of Value Added Tax Act No. 14 of 2002 and a sum of Rs. 61,062 paid as Nation Building Tax had not been sent to the Inland Revenue Department even as at 28 October 2014.

(d) Government Procurement 2,844,763  
Guidelines

(i) Guideline 3.3

Furniture Equipment had been purchased for the Library of the Department having spent a sum of Rs. 2,844,763 during the year 2014 having called for limited quotations, without calling for competitive quotations.

(ii) Guideline 2.8.4

Instead of having three officers consisting an individual with a technical and special knowledge and individual with knowledge of procurement attached to the Line Ministry or a person outside the procurement structure, a Technical Evaluation Committee had been appointed consisting three Doctors and the Administrative Officer.

#### 4.9 Performance

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Observations on the progress of the Department according to Annual Budget Estimates for the year 2014 and the Action Plan are shown below.

##### **Key Functions not Adequately Performed.**

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Few instances of non-performance of key functions by the Department are shown below.

- (a) Awarding the contract for construction of the administrative building for the Yakkala Ayurvedic Hospital.
- (b) Awarding the contract for construction of a production house for the Kaithady Hospital.
- (c) Awarding the contract for construction of wards complex for the Manvanthuduwa Ayurvedic Hospital.
- (d) Awarding the contract for construction of the Trincomalee Ayurvedic Hospital.
- (e) Completion of the construction of the room for the electrical generator in the Hambanthota Ayurvedic Hospital.
- (f) Construction of female rest room in the Haldummulla Herbal Garden.
- (g) Construction of second stage of the kitchen in the Pattipola Herbal Garden.

#### **4.10 Weaknesses in Operation of Bank Accounts**

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While the Bank Reconciliation Statement for the month of December 2014 had been prepared incorrectly and submitted to the Accountant Payments, it had been approved by the Staff Officer without checking.

#### **4.11 Transactions of Contentious Nature**

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Certain transactions entered into by the Department had been of contentious nature. Details relating to several such transactions revealed in audit sample checks are shown Below.

- (a) An estimate of Rs. 34,505 had been prepared for fixing a door for the Indoor Dispensary of the Borella Hospital and that contract had been entrusted to another contractor who was attending to certain other contract of the hospital, without calling for tenders. Later, another estimate of Rs. 64,443 had been prepared including a roof above that door and further essential alterations and a sum of Rs. 74,087 had been paid for that. However, the roof had not been constructed according to the plan.

- (b) Out of the provision of Rs. 300 million made available in respect of the Research Project for Non-infectious Diseases, of the Bandaranayake Memorial Research Institute a laptop computer had been purchased for the National Institute of Indigenous Medical Systems.
- (c) Although specifications had been prepared and quotations had been called for having spent a sum of Rs. 7,400 for the purchase of equipment for the above mentioned project, a scanning machine had been purchased having spent a sum of Rs. 475,000.

#### **4.12 Improper Transactions**

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- (a) While limited quotations had been called for without a decision of the Procurement Committee for repair works of the Borella Hospital of the Department incurring an expenditure of Rs. 549,617, a Technical Evaluation Committee too had not been appointed for evaluation of the quotations. While bills had not been submitted by the contractor, bills of quantities prepared after carrying out measurements by the contractor and a Technical Officer of the Department too were not available in the file.
- (b) Following lapses were observed in the audit sample checks carried out with regard to purchase of furniture equipment for the library of the Ayurvedic Research Institute under Rs. 300 Million Project.
  - (i) A total sum of Rs. 2,844,763 had been spent having used the funds of the Research Project for Non-infectious Diseases to purchase books, almirah, tables, chairs and racks required for the modernization and development of the library of Ayurvedic Research Institute Vide letter No. BR/PR/Lit/05 dated 18 July 2013. It was observed as expenditure contrary to the objectives of the Research Project for Non-infectious Diseases
  - (ii) A sum of Rs. 49,908 had been paid as Nation Building Tax to this supplier by the Department without getting confirmed that he has registered for the Nation Building Tax.



(C) Construction of the Male Ward in the Trincomalee Ayurvedic Hospital  
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Although the first payment to be made with regard to construction of the Male Ward in the Trincomalee Ayurvedic Hospital after deducting 10 per cent retention money from the value of work completed amounting to Rs. 771,571 and adding the Value Added Tax to that is Rs. 777,743, a sum of Rs. 854,901 had been paid. Due to that an overpayment of Rs. 77,158 had been made to the contactor.

**4.13 Uneconomic Transactions**  
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Although the estimate of Rs. 47,887 for fixing a single pane door to the Priests Ward in the Borella Ayurvedic Hospital had been approved by the Head of Department, two pane door had been fixed at a cost of Rs. 124,465 without prior approval.

**4.14 Management Weaknesses**  
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Following management weaknesses were observed at audit test checks carried out with regard to transactions of the Department. .

- (a) While an Ayurvedic Doctor of Batticaloa Panchanthuduvasi had been transferred to Wennappuwa Pradeshiya Sabha with effect from 13 July 2012 through letter No. 02/02/10/02/-07(1) 11 July 2012 of the Ayurvedic Commissioner, salaries amounting to Rs. 548,376 had been paid for 15 months by the Ayurvedic Department. That money had not been recovered even at the end of the year under review by Department. Disciplinary action had not been taken against the officers responsible with regard to erroneous payment of salaries.
- (b) A sum of Rs. 175,000 had been spent for the state festival of applying oil on head for the year 2014 conducted in the Kossinna Raja MahaVihara. It had not established that, rafters, pieces of wood, planks and red velvet clothes costing Rs. 160,480 were taken back to the Department or re-sold or given for the use of the temple.

#### 4.14 Human Resources Management

##### Approved Cadre and the Actual Cadre

Cadre position as at 31 December 2014 was as follows.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
(i) Senior level	256	222	34
(ii) Tertiary Level	164	73	91
(iii) Secondary Level	275	148	127
(iv) Preliminary Level	888	663	225
Total	1,583	1,106	477

Following observations are made.

- Department had not taken action to fill 477 vacant posts by end of the year under review.
- Position relating to the approved and actual number of Doctors and Nurses in the hospitals belong to the Department is shown below.

Hospital	Doctors		Nurses	
	Approved	Actual	Approved	Actual
Borella Hospital	115	115	40	30
Yakkala Hospital	10	14	20	18
Hambanthota Hospital	14	10	20	05
Kaithady Hospital	09	09	04	01

Number of doctors was computed excluding the Director and the Deputy Director. Following observations are made in this connection.

- (i) While there 4 excess Ayurvedic Doctors in the Yakkala Hospital, there were 4 vacancies of Ayurvedic Doctors in the Hambanthota Hospital.
- (ii) Action had not been taken to fill 30 vacant posts of Nurses in 4 Ayurvedic Hospitals.
- (iii) Duties in the posts of Director and Deputy Director in both the hospitals in Borella and Gampaha had been covered by acting officers since the year 2013 to the year 2014.
- (iv) Duties in the posts of Director and Deputy Director in the Kaithady Hospital since the year 2008 and in the Hambanthota Hospital since the year 2010 had been covered by acting officers .from the year 2013 to the year 2014.