

Head 220 – Department of Ayurveda

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statement of the Department of Ayurveda for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial performance and cash flow statement for the year then ended, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No. 19 of 2018. The summary report including my comments and observations on the financial statements of the Department of Ayurveda was issued to the Accounting Officer on 12 August 2021 in terms of Sub-section 11 (1) of the National Audit Act, No.19 of 2018 and the Detailed Annual Management Audit Report relating to the Department in terms of Sub-section 11 (2) of the National Audit Act, No. 19 of 2018 was issued to the Accounting Officer on 27 October 2021. This report will be presented in Parliament in pursuance of provisions in Article 154 (6) of the Constitution to be read in conjunction with Section 10 of the National Audit Act, No. 19 of 2018.

In my opinion, except for the effects of the matters described in Paragraph 1.6 of this report, the financial statements give a true and fair view of the financial position of the Department of Ayurveda as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 1.6 of this report. I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of the Accounting Officer for the Financial Statements

The Accounting Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and provisions in Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

As per Sub-section 38 (1) (c) of the National Audit Act, the Accounting Officer shall ensure that effective internal control system for the financial control of the Department exists, and

carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accounting Officer regarding, significant audit findings, any significant deficiencies in internal control and other matters that I identify during my audit.

1.5 Report on Other Legal and Regulatory Requirements

I express the following matters in accordance with Section 6 (1) (d) of the National Audit Act, No. 19 of 2018.

- (a) The financial statements are consistent with the preceding year.
- (b) The recommendations made in my report on the financial statements of the preceding year with respect to the observations included in Paragraphs, 1.6.2 (a), 1.6.2(b), and 1.6.3 of this report, had not been implemented.

1.6 Comments on Financial Statements

1.6.1 Non-financial Assets

Audit Observation	Comment of the Accounting Officer	Recommendation
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According to the printout of the Treasury and schedule of assets, the value of Property, Plant and Equipment amounted to Rs.4,714,733,263 and Rs.4,771,377,854 respectively as at 31 December 2020. However, the same amounted to Rs.3,919,728,286 as per the statement of financial position, thus indicating differences of Rs.795,004,977 and Rs.851,649,568 respectively. Reasons attributable to the difference had not been identified and no necessary adjustments had been made.	The journal entries necessary for identifying and correcting the differences had been presented to the Treasury in February 2021.	Experience and attention of the data entry operators should be improved, and action should be taken to ensure constant supervision and make comparisons to rectify errors thereby avoiding such deficiencies.

1.6.2 Non-maintenance of Registers and Books

It was observed in audit test checks that the Department had not maintained some of the following registers whilst certain registers had not been maintained properly and up-to-date manner.

Audit Observation	Comment of the Accounting Officer	Recommendation
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(a) The Security Register had not been updated contrary to Financial Regulation 891(1).	Securities will be obtained from the eligible officers and the Security Register will be updated in due course.	A Security Register should be maintained on the officers who should give securities by including the information mentioned in Financial Regulation 891 (1).
(b) Although the Register of Losses and Damages had been prepared, it had not been prepared in accordance with the Format given under Financial Regulation 110. Nor had the register been updated.	Instructions have been given that the Register of Losses and Damages be updated in accordance with the Format given under Financial Regulation 110.	The said register should be maintained in accordance with the provisions of Financial Regulation 110 and the Format given thereunder.

- (c) The vehicle log books Instructions have been Vehicle log books relating to had not been maintained given to correctly update every vehicle should be in an updated manner them. maintained up-to-date in contrary to Financial Regulation 1645(a). in accordance with Form General 267 by following the provisions mentioned in Financial Regulation 1645(a).

1.6.3 Certifications of the Accounting Officer

Observation	Comment of the Accounting Officer	Recommendation
<p>The Accounting Officer should ensure in terms of provisions of Section 38 of the National Audit Act, No. 19 of 2018 that an effective internal control system for the financial control exists in the Department, and carry out periodic reviews to monitor the effectiveness of such systems, and accordingly make any alterations as required for such systems to be effectively carried out. Such reviews should be carried out in writing, and a copy thereof should be presented to the Auditor General, but no statement had been furnished to the Audit that such a review had been carried out.</p>	<p>The Circulars and Guidelines issued on all the changes made for the preparation of internal control system had been forwarded to the Auditor General by the Internal Auditor.</p>	<p>The provisions set out in Section 38 of the National Audit Act, No. 19 of 2018 should be followed.</p>

1.6.4 Non-compliances with Laws, Rules, and Regulations

Instances of non-compliance with provisions of Laws, Rules, and Regulations observed in the audit test checks are described below.

Observation	Comment of the Accounting Officer	Recommendation
<p>Reference to Laws, Rules, and Regulations</p>	<p>Non-compliance</p>	
<p>(a) Section 10 of the Ayurveda Act, No. 31 of</p>	<p>It is necessary for the Ayurvedic hospitals, pharmacies, dispensaries and</p>	<p>Only Ayurvedic hospitals, pharmacies, Action should be taken to formulate a legal framework</p>

1961. stores to be registered by the Commissioner. However, provisions relating to the registration of massage parlours and Panchakarma centers had not been included in the Act. As such, practice of Panchakarma could not be regulated. Nevertheless, action had been taken to register 15 Ayurveda Panchakarma centers, and 26 Panchakarma centers established at hotels based on an order of the Secretary to the Ministry of Indigenous Medicine.

dispensaries and stores can be regulated in terms of Section 10 of the Ayurveda Act. Massage parlours do not belong to those categories. Following the order of the Secretary to the Ministry of Indigenous Medicine, registration had been approved only for the hotels approved by the Tourist Board and other institutions with tourist attraction.

for regulation of Panchakarma centers and massage parlours.

(b) Financial Regulation of the Democratic Socialist Republic of Sri Lanka.

- (i) Financial Regulation 103. Damages relating to 06 vehicle accidents valued at Rs. 234,281 had been recovered through insurance indemnities. However, action had not been in terms of Financial Regulations on the said accidents and shortage of goods worth Rs. 314,912 existed at the central stores in the year 2019. As the Department lacked experienced administrative officers during that time, such deficiencies occurred. Action will be taken to avoid such issues in due course. The Financial Regulations should be followed.
- (ii) Financial Regulation 371(2). The ad hoc sub-impressts should be settled as soon as the completion of purpose Ad hoc sub-impressts could not be settled on Ad hoc sub-impressts should be controlled in

for which it was given. time due to accordance with
 However, settlement of ad reasons such as, provisions of the
 hoc sub-impressts totaling Rs. deficiencies in Financial
 1,290,003 issued in 42 the vouchers, Regulations.
 instances, and balance delays in
 monies had taken 01-06 obtaining the
 months. Furthermore, sub- original copies
 impressts of Rs. 132,575 of the bills,
 issued to 07 officers in 09 reporting for
 instances had not been made duty on shifts,
 use of for the intended vouchers of the
 purpose and settled after outstations
 being retained at hand over a received by
 period of 03-30 days. post, and spread
 of Covid-19.
 Due to limited
 number of staff
 officers,
 impressts would
 be given to the
 same officer on
 several
 occasions based
 on each
 requirement. As
 such, another
 imprest would
 be given before
 the settlement
 of first imprest.
 Instructions
 have been given
 that the impressts
 pertaining to the
 officers failing
 to settle such
 impressts, be
 recovered from
 the their salaries
 of the ensuing
 months.

- (c) Paragraph 2(iv) In making payments for Finger scanners Provisions of
 of the Public overtime and holidays based had been Circulars should
 Administration on time worked, finger installed in the be followed.
 Circular, No. scanners should be used to year 2020. But,
 09/2009 dated verify the time. However, the Secretary to

16 April 2019. the total of the overtime payments and holiday pay made during the year under review based on the register of arrival without using finger scanners along with the relevant liabilities amounted to Rs. 56,045,639.

the Ministry informed that it was not necessary to use finger scanners at the Department as such machines had not been used at the Ministry of Health. Despite being decided that overtime payments would be made based on the finger scanners with effect from 01 April 2021, approval of the Secretary to the Ministry was not given in that connection. The former acting Commissioner of Ayurveda had noted that the finger scanners should not be used until the end of the Covid-19.

2. Financial Review

2.1 Management of Expenditure

It was verified in accordance with the following observations that accurate and realistic estimates had not been prepared for the State Ministry in terms of provisions given under Financial Regulation 50.

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) The provision of Rs. 10,365,000 transferred to a recurrent Object in terms of Financial Regulation 66 had been saved in full.	As imprests had not been received sufficiently, liabilities valued at Rs. 10.8 million could not be settled. As such, provision had been saved.	Action should be taken to obtain sufficient provision considering the role of the Department and trends in expenses of the preceding years. Expenses under each Object should be managed.
(b) Due to lack of provision totaling Rs. 117,470,000 made on 05 recurrent Objects, a sum of Rs. 10,365,000 had been transferred under Financial Regulation 66, and a sum of Rs. 127,234,335 had been spent by also incurring liabilities amounting to Rs. 10,732,636. Having spent Rs. 56,893,462 out of provision amounting to Rs. 57,200,000 made on 04 other recurrent Objects, liabilities totaling Rs. 4,662,484 had also been incurred.	As the liabilities relating to the year 2019 had been settled with the provision for the year 2020, the provision made on commitments for the services agreed for the year 2020 could not be managed. The budget for the year 2020 was prepared by including those commitments though, the provision received was insufficient. Following the request of the employees, Secretary to the Ministry had given approval for overtime by exceeding the approved number of hours without taking into consideration the limit on provision, thus incurring the said commitments.	As there are no provisions allowing to spend or incur liabilities in excess of provision, proper financial control should be ensured.
(c) The provision of Rs. 1,000,000 made on a capital Object had been transferred in full to another Object rather than spending on the intended purpose.	As the total provision required for obtaining an Edge Runner for the hospital in Kaithady, the provision of Rs. 1,000,000 had saved. Those savings occurred as procurement processes for new machinery could not be commenced due to spread of Covid-19.	Action should be taken to obtain sufficient provision considering the role of the Department and trends in expenses of the preceding years. Expenses under each Object should be managed.

- (d) Over 75 per cent equivalent to Rs. 10,200,000 of the provision amounting to Rs. 13,500,000 made for a capital Object, had been transferred to other Objects without being spent on the intended purposes whereas provision ranging from 50-94 per cent equivalent to Rs. 2,030,875 of the provision totaling Rs. 3,670,000 made for 04 other capital Objects, had saved.
- New projects were not commenced, and maternal and children's nutrition programs could not be organized at schools and preschools in the wake of Covid-19. A sum of Rs. 10,200,000 out of the provision made on the pre-procurement Object, had been transferred to settle the outstanding bills of a project that had been completed. The savings occurred due to lack of contracts and management of public expenditure.
- Do.
- (e) Of the provision totaling Rs. 39,530,000 made on 04 capital Objects, 30 per cent or Rs. 10,153,301 had saved due to not being spent on the intended purpose. The percentage of savings relating to each Object ranged between 24 – 48 per cent. Eighteen per cent and 35 per cent equivalent to a total of Rs. 5,309,940 of the provision made on two other Objects had been transferred without being spent on the intended purpose.
- Due to reasons such as, lack of contracts due to Covid-19, lack of essential repairs, and limitations on the programs of the community health promotion service of Anuradhapura, the said savings had occurred. As the Government had prioritized the promoting of 01 million home economic units in the same year, provision required in that connection had to be transferred for urgent repairs and settlement of outstanding bills.
- Do.
- (f) Having spent a sum of Rs.146,000 out of the provision amounting to Rs.150,000 made on the Object for training the staff, being a capital Item of Expenditure, liabilities totaling Rs.1,405,000 had been incurred.
- Approval had been granted on post graduate courses in the past by the institution without any coordination. Following that approval, the Ayurvedic doctors settle the course fees personally, and request for reimbursements, thus resulting in liabilities in excess of the provision. Those liabilities were settled using provision received in that regard in the year 2021.
- Capital expense such training the staff would be estimated easily through proper planning. As such, human resource development plans should be prepared thus obtaining provision accordingly.

2.2 Incurring Liabilities and Commitments

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) Contrary to provisions of the Financial Regulation 94(1), liabilities valued at Rs.15,929,736 had been incurred in excess of the savings totaling Rs.912,544 occurred under 11 capital Objects. Although no provision had been made for another capital Object, liabilities valued at Rs. 200,401,423 were incurred.	Following requests made by the employees, the number of hours approved for making overtime payments had been increased by the Secretary to the Ministry, thus incurring the said commitments. Due to non-receipt of imprests, liabilities valued at Rs. 200,401,423 had been brought forward for the year 2020. Those commitments were settled using the provision received in the year 2021.	Provisions of the financial regulations should not be disregarded.
(b) It was verified as per the accounts of the State Pharmaceutical Corporation that sums of Rs. 1,253,831 and Rs.2,319,362 remained payable with respect to the drugs obtained from that Corporation during the preceding years and the year under review respectively. However, those values had not been included in the statement of commitments and liabilities.	The supply division of the Department of Ayurveda issues orders based on the requirements of each hospital, and all the drugs requested through a particular order are supplied to the respective hospitals. In case of delays of hospitals in sending the vouchers, the relevant values would not be included in the statement of liabilities.	All the commitments and liabilities should be included in the statement of commitments and liabilities.

2.3 Balances in the Advance Account

Audit Observation	Comment of the Accounting Officer	Recommendation
According to the reconciliation statement of the Advances to Public Officers Account "B", the total of the loan balances remained outstanding over a period of 5 years from 39 officers, amounted to Rs. 1.65 million as at 31 December	As the Provincial Councils have informed that loan balances pertaining to the officers who had been transferred to Provincial Councils over 05 years ago, were not in their records, action will be taken on those loan balances in due course as per Public Finance Circular, No. 1/2020. The total of the loan balances continued to exist over 05 years with respect to deceased officers,	The settlements mentioned in the reply should be made prior to presenting the accounts for the year 2021.

2020 whereas only a sum of Rs. 587,450 had been recovered in the year under review out of the loan balances older than 05 years. Recovery of loans pertaining to the deceased, transferred, or interdicted officers remained weak.

amounted to Rs. 290,100, and action will be taken to recover Rs.114,550 therefrom through the death gratuity. As the loan balances pertaining to the officers retired over 05 years ago had continued to exist over 20-30 years, action is being taken to write them off. Of the loan balance totaling Rs.847,760 and relating to officers who had vacated the service over 05 years ago, a sum of Rs. 13,200 has already been recovered, and as for the balance amount and the loan balance of Rs. 192,960 belonging to officers who had been interdicted over 05 years ago, action will be taken in due course as per Public Finance Circular, No. 1/2020.

3. Operating Review

3.1 Failure to Discharge Functions

Audit Observation	Comment of the Accounting Officer	Recommendation
Approval had been given to conduct the Ayurveda Community Health Promotion Programme as a pilot project in Anuradhapura district during 2001-2005. Once Cabinet approval was obtained after evaluating the success of the project, the project should have been implemented in the other districts as well from the year 2005. However, without doing so, the project had been implemented only in Anuradhapura district for a period of 15 years. A sum totaling Rs. 608 million had been spent on the project from the year 2005 up to the preceding year. Of the provision amounting to Rs.142.71 million made on the project for the year under review, a total of	Further action will be taken in this connection.	Action should be taken promptly to implement the project in other districts in terms of the Cabinet Paper.

Rs.138 million comprising sums of Rs. 133.72 million and Rs.4.14 million on salaries & allowances for 225 officers and other expenses respectively, had been spent. A Cabinet Paper had been presented in the year 2005 with respect to implementing the project in other districts, but no further action had been taken.

3.2 Assets Management

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>A sum of Rs. 85,372,218 had been remitted in the year 2014 to the Ministry of Defense and Urban Development for construction of the Ayurvedic Kidney Hospital in Medawachchiya. Once the constructions had been completed in December 2019, the materials worth Rs. 1,683,644 remained unused due to being purchased in excess, had been handed over to the Department. However, those building materials including steel bars, and valuable timber, had been kept at the premises of the Department over one year in an unprotected, idle and irregular manner.</p>	<p>The Chief Accountant had attempted several times to put those items up for auction. However, the auction could not be held due to involvement of the Secretary to the Ministry.</p>	<p>Building materials should be purchased only on requirements based on cost estimates properly prepared by persons with technical expertise.</p>

3.3 Uneconomic Transactions

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>Fourteen machines and equipment valued at Rs. 28 million had been purchased on 16 March 2015 for the</p>	<p>Secretary to the Ministry has informed that an inquiry should be conducted in this regard by an expert committee</p>	<p>All the machines should be used productively, or made use of for producing drugs at</p>

Bandaranayake Memorial Ayurvedic Research Institute without properly identifying the requirements and conducting a feasibility study. Of that, 08 machines valued at Rs. 21 million had not been installed even by 15 October 2021. It had been identified by a Committee appointed on 05 October 2020 that 06 machines costing Rs. 14,591,311 would not be required for the manufactory. As the contract had been awarded without properly entering into a contract agreement, and service and maintenance agreements, the installed machines had become unusable by the year under review. As such, the total amount of Rs. 28,342,712 spent on that project had become an uneconomic expenditure.

of the Ayurvedic Research Center, Nawinna thereby taking further action. As such, action will be taken accordingly.

Ayurvedic hospitals or Sri Lanka Ayurvedic Drugs Corporation. Necessary action should be taken against all the officers who had been responsible for making the said purchase without identifying the requirement and conducting a feasibility study.

4. Human Resource Management

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>The approved cadre of the Department was 2,647 as at 31 December 2020 whereas the actual cadre was 1,679 as at that date. As such, there existed 968 vacancies representing 37 per cent of the approved cadre including 140 and 385 vacancies at the Bandaranayake Memorial Ayurvedic Research Institute and Ayurvedic Teaching Hospital respectively whilst the number of vacancies at 11 institutions including 09 Ayurvedic hospitals ranged between 6-385. Furthermore, the number of vacancies at 08</p>	<p>The Ministry has been informed to fill the remaining vacancies at supra grades. Only 14 applicants had been found qualified at the interview held for filling 88 vacancies in the post of Consultant Medical Officer. It was proposed to call for applications in accordance with the Scheme of Recruitment for the post of Farm Manager. A number of 157 vacancies in the post of Medical Officer of primary grade have already been filled. It is the Ministry that fills the</p>	<p>Priority should be given for the posts in the senior level and essential posts of the hospitals thereby taking action to promptly fill vacancies by properly identifying the requirements.</p>

herbal gardens owned by the Department ranged between 01-35. vacancies in the posts of Administrative Officer and Public Management Assistant. As the Department does not receive a sufficient number of applications for recruiting Nursing Officers, it has been requested that a certain percentage of the Nursing Officers recruited to the Ministry of Health be attached to the Department of Ayurveda. Interviews have been held for filling vacancies in the post of Ayurveda Service Assistant. As it is the Service Assistants who are promoted to the post of Pharmacist, vacancies in the post of Pharmacist cannot be filled without filling the vacancies in the post of Service Assistant. Approval of the Department of Management Services has been requested to fill vacancies existing at the herbal gardens.