

Head 111- Ministry of Health

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statement of the Ministry of Health for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020, 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. In terms of Sub-section 11(1) of the National Audit Act, No. 19 of 2018, the summary report including my comments and observations on the financial statements of the Ministry of Health was issued to the Chief Accounting Officer on 30 July 2021, In terms of Section 11(2) of the National Audit Act, the Annual Detailed Management Audit Report relating to the Ministry was issued on 21 September 2021 to the Chief Accounting Officer. This report which should be read in conjunction with Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka is submitted to Parliament in terms of 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 Ministry of Health as at 31 December 2020, and of its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

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

1.3 Responsibilities of Chief 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 Ministry is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared.

As per Sub-section 38 (1) (c) of the National Audit Act, the Accounting Officer shall ensure that effective internal control system for the financial control exists in Ministry 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 observation an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- 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 Ministry's 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 Chief Accounting Officer regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5 Report on Other Legal Requirements

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

- (a) The financial statements are in consistent with the previous year

- (b) The following recommendations which I had made regarding the financial statements for the previous year had not been implemented.

Reference to the Paragraph -----	Audit Observation -----	Recommendation -----
1.6.3.1 (b)	The cost of non-financial assets had been understated by Rs. 46,940.73 million in the year 2018, whereas no adjustments had been made to the opening balance as at 01 January 2019 to correct that error. Instead of adjusting Rs. 7,102.99 million of that amount to the opening balances, it had been stated as a land acquisition during the year under review.	Financial statements for the ensuing year should be prepared and presented by correcting those errors.
1.6.3.1 (d)	Acquisition of capital assets had been understated by Rs. 14,793.13 million in the year 2018 and as such, the capital assets as at 31 December 2019 had been understated by the same value.	-Do-
1.6.3.1 (f)	As per the Treasury Financial Statements, the cost of constructions and the building acquired during the year under review amounting to Rs. 6,501.942 million had not been included in the statement of non-financial assets. Further, although the cost of vehicles, furniture and office equipment and plant and machinery acquired during the year under review was Rs. 10,505.275 million according to the Financial Statements of the Treasury, it had been stated as Rs. 19,974.493 million in the statement of non-financial assets. Accordingly, non-financial assets as at 31 December 2019 had been overstated by Rs. 2,967.276 million.	-Do-

1.6 Comments on Financial Statements

1.6.1 The Financial Statements not being complied with Circular Provisions

Although the financial statements should have been prepared in accordance with Guideline No. 06 issued by the Department of State Accounts, the instances which deviate from those requirements are indicated below.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
In terms of Guidelines 06 issued by the Department of State Account as per Paragraph 10.1 of the Public Finance Circular No.02/2020 dated 28 August 2020, the basis of the preparation and report of the financial statements had not been disclosed in the financial statements for the year under review.	The basis of the preparation and report of the financial statements will be disclosed in the presentation of financial statements for the coming year.	The circular provisions should be followed. The basis of the preparation and report of the financial statements should be disclosed in the presentation of financial statements for the coming year.

1.6.2 Statement of Financial Position

The following deficiencies were observed relating to accounting for the Property, Plant, and Equipment.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) According to Monthly Non-Financial Assets Accounts Summary SA80 and Cumulative Non-Financial Assets Accounts Report SA 82 maintained by the Treasury, the cost of non-financial assets as at 31 December 2020 was Rs. 172,439.71 million, whereas it was Rs. 192,229.16 million according to the statement of financial position as at that date, thus resulting in a difference of Rs. 19,789.44 million. Nevertheless, action had not been taken to make necessary adjustments by ascertaining the reasons for the difference.	It is agreed with the audit observation.	Financial statements should be correctly prepared and presented to Audit by reconciling differences between the values indicated in the Treasury Printouts and the values as per the books. Financial statements for the ensuing year should be prepared by rectifying these errors.

- (b) Although the net difference between the acquisition and disposal of non-financial assets during the year under review was Rs.4,440.484 million according to the Monthly Non-Financial Assets Accounts Summary SA80 and Monthly Non-Financial Assets Accounts Report SA 81, a negative value of Rs.2,616.592 million according to the Cumulative Non-Financial Assets Accounts Report SA 82 and Rs. 7,501.309 million according to the Consolidated Trial Balance maintained by the Treasury, it was Rs. 24,254.146 million according to the Statement of Non-Financial Assets ACA 6. Nevertheless, necessary adjustments had not been made by ascertaining the reasons for these differences.
- It is agreed with the audit observation. - Do -

1.6.3 Imprest Balance

The following deficiencies were observed relating to accounting for the Imprest Balance.

Audit Observation

Comment of the Chief Accounting Officer

Recommendation

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| <p>(a) The unsettled imprest balance in the Imprest Account as of 31 December 2020 was Rs. 402.82 million. The imprest balance further remained unsettled by 22 April 2021, the date of the audit was Rs. 5.05 million. That balance included a balance of Rs. 362,702 that remained unsettled since the year 1997 relating to the Batticaloa Teaching Hospital.</p> | <p>It is agreed with the audit observation.</p> | <p>Action should be taken to duly settle the imprest balance and carry out monthly reconciliations.</p> |
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| <p>(b) According to the consolidated trial balance, the total of the imprest receipts was Rs. 3,406.359 million. Imprests of Rs. 170,132.268 million had been received thereto from the Treasury under the 7002. The imprest payments as per the detailed consolidated trial balance were Rs. 173,370.382 million. Accordingly, the imprest balance as of 31 December 2020 should be Rs.168.245 million. Nevertheless, according to the Monthly Treasury Authorized Imprest Account Summary SA 70, the imprest balance was Rs. 415.486 million, thus observing a difference of Rs. 247.241 million.</p> | <p>It is agreed with the audit observation.</p> | <p>Imprest receipts, payments and balances should be correctly identified.</p> |
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1.6.4 Lack of Audit Evidence

The audit observations on the following transactions had not been furnished.

Observation -----	Comment of the Chief Accounting Officer -----	Recommendation -----
<p>(a) The schedules to be prepared in respect of the assets totaling Rs. 192,229.156 million in the Statement of Non-Financial Assets, sales of assets amounting to Rs. 377,699 and the assets disposed of through the transfer of assets amounting to Rs. 40,933.397 million had not been furnished to audit. As such, those values could not be satisfactorily verified in the audit.</p>	<p>It is agreed with the audit observation.</p>	<p>Schedules should be prepared and presented for audit together with the financial statements</p>
<p>(b) No information or total information had been given for 12 letters sent calling for information required for audit activities even by 07 July 2021 and a period of more than 06 months had elapsed from calling for some information.</p>	<p>It is agreed with the audit observation. This information has to be called for from the number of internal divisions, hospitals, and institutions of the Ministry and it is a complex process; the Ministry of Health, hospitals, and other institutions are busy due to</p>	<p>Everyone who does not provide the information and other evidence requested by the Auditor General pursuant to Section 42 (a) of the National Audit Act No. 19 of 2018 should be deemed to have committed an offense.</p>

the Covid-19 epidemic; Action was taken to call for a limited number of staff as per Circular No. 02/2021 (1) of the Secretary to the Ministry of Public Services, Provincial Councils and Local Government and therefore delays occurred in providing for information.

1.6.5 Certification of the Chief Accounting Officer

Although the Chief Accounting Officer should have given the certification on the following matters in terms of provisions of Section 38 of the National Audit Act No.19 of 2018, action had not been taken accordingly.

Observation -----	Comment of the Chief Accounting Officer -----	Recommendation -----
(a) The Chief Accounting Officer should ensure that an effective internal control system for the financial control is prepared and maintained in the Ministry 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. The review to be carried out by the Chief Accounting Officer shall be in writing and copies of the same should be made available to the Auditor General. Nevertheless, the statement indicating that such	It is agreed with the audit observation. Action will be taken to issue internal circulars and letters of instruction to establish proper financial control in the hospitals and institutions under the Ministry, correcting the weaknesses and errors observed by the Ministry and pointed out by the audited queries and the Heads of all Hospitals and Institutions will be informed at the Staff Officers' Meetings and at the meetings held on each subject to take the necessary steps to carry out required follow up measures to increase the effectiveness of that internal process.	Action should be taken in terms of provisions in Section 38 of the National Audit Act No.19 of 2018

a review had been carried out was not made available to audit.

- (b) Although the Chief Accounting Officer shall ensure that all audit queries be answered within the specified time as required by the Auditor-General, the total number of unanswered audit queries as at 30 September 2021 was 18 and the number of audit queries that had not been answered despite the lapse of more than one year was 11.
- It is agreed with the audit observation. Out of 120 audit queries referred to me, 20 audit queries have been answered. Action will be taken to give replies for unanswered audit queries within 03 months as per the directives of the Committee on Public Accounts held on 09 April 2021.
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2. Financial Review

2.1 Management of Imprest

Audit Observation

Comment of the Chief Accounting Officer

Recommendation

Although imprests of Rs. 193,832.60 million had been requested from the Treasury during the year under review, the Treasury had issued imprests of Rs. 170,132.27 alone. Accordingly, due to not issuing imprests worth Rs. 23,700.33, it had not been possible to utilise the provisions made by Parliament as planned.

It is agreed with the audit observation.

Imprests should be requested according to a correct and realistic plan.

2.2 Management of Expenditure

It was observed according to the following observations that correct and realistic estimates had not been prepared in terms of provisions in Financial Regulations 50.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
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(a) The total provision of Rs. 253 million made by the annual budget estimate for 10 Capital Objects had been transferred to other Objects through Financial Regulations 66 and 69.	It is agreed with the audit observation.	Correct and realistic estimates had should be prepared in terms of provisions in Financial Regulations 50.
(b) Out of the provision of Rs. 87 million made by the supplementary estimates for new 02 capital Objects not included in the annual budget estimate, Rs. 67.977 million or 78 per cent had been saved.	-Do-	-Do-
(c) Out of the total provision of Rs.61.625 million for 13 Objects including one recurrent Object and 12 capital Objects, the total net provision of Rs. 45.316 million had been saved after transferring Rs. 26.673 million to other Objects and after transferring Rs. 10.337 million from other Objects	-Do-	-Do-
(d) The total additional provisions of Rs. 47.010 million made by Financial Regulation 66 and Supplementary Estimates for one recurrent Object and 02 capital Objects and a certain part of the original estimate had been saved.	-Do-	-Do-

2.3 Incurring of Liabilities and Commitments

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) Contrary to the provisions in the State Accounts Circular No. 255/2017 dated 27 April 2017, commitments of Rs. 489.05 million as at 31 December 2020 had been stated as the liabilities as at that date.	It is agreed with the audit observation.	Action should be taken in accordance with State Accounts Circular No. 255/2017 dated 27 April 2017.
(b) Contrary to the provisions in the Financial Regulation 94 (i), liabilities of Rs. 3,760.19 million had been incurred exceeding the provisions.	-Do-	In terms of Financial Regulation 94 (1), except where otherwise provided for, no expenditure or commitment shall be incurred for work, service or supply, unless financial provision exists therefore in the Annual Estimates
(c) Liabilities of Rs. 182.36 million had been stated for 25 Objects, which were not newly created Objects and were not included in the annual budget estimates.	-Do-	Action should be taken to correctly identify the commitments and liabilities.
(d) Although the total liabilities approved by the Treasury as at 31 December 2020 was Rs. 4,036.79 million, the total liabilities as at that date according to the record of liabilities was Rs. 6,217.47 million.	-Do-	Financial statements and Treasury accounts should be reconciled and necessary adjustments should be made by identifying the difference between the commitments and liabilities.

2.4 Issuance and Settlements of Imprests

The following observations are made on the issuance and settling of ad hoc sub-imprest.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
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(a) In terms of Financial Regulations 371 (5) as amended by Public Finance Circular No. 03/2015 dated 14 July 2015, the ad hoc sub imprests obtained should be settled within 10 days from the completion of the purpose. Nevertheless, ad hoc sub imprests totaling Rs. 16.763 million obtained in 520 instances had been settled after a delay ranging from 01 months to 11 months from the completion of the relevant purpose.	It is agreed with the audit observation. All divisions have been informed from time to time that the ad hoc sub imprests obtained for various purposes should be settled within 10 days from the completion of the relevant purpose as per the circular; that oral explanations have been given to the inability to settle the advance even after 10 day as the busy work schedule of the relevant divisions, programs, workshops and meetings being held as an interconnected chain, insufficient staff, considerable time taken to obtain relevant approvals and many programs, workshops being held outside Colombo. Arrangements have been made to obtain such matters in writing in the future.	Ad hoc sub imprests obtained should be settled immediately after the completion of the purpose. A methodology should be introduced to recover a penalty for the delays.
(b) Without being used ad hoc sub imprests of Rs. 534,390 obtained in 16 instances for the relevant purpose, it had been settled after retaining in hand over a period from 04 to 107 days.	It is agreed with the audit observation. All divisions have been informed that the ad hoc sub imprests obtained for a certain work should be immediately returned if it is not used for the relevant purpose and that imprest be obtained after specifically identifying the relevant purpose.	-Do-
(c) A period ranging from 10 days to 199 days had been delayed from the completion of work to settle the balance of Rs. 1.084 million out of ad hoc sub imprest of Rs. 4.781 million obtained in 130 instances.	- Do -	- Do-

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| (d) | Although the fuel advances paid to the officers for various programmes should be settled immediately after the completion of work, fuel advances of Rs. 1.819 million obtained in 166 instances had been settled after a delay from 01 months to 10 months. | - Do - | - Do- |
| (e) | Out of capital advances of Rs. 3 million allocated on 12 March 2020 for the improvement of Quarantine Centers at the Leprosy Hospital, a sum of Rs. 222,222 had not been settled even by 23 March 2021. | - Do- | These advances should be settled immediately. |
| (f) | A sum of Rs. Rs. 2.325 million issued to the Provincial Directors of Health for conducting various programmes on 06 occasions during the year under review had been totally settled after a delay of 2 months to 4 months without conducting the relevant programmes. | It is agreed with the audit observation. These advances are the advances made to the Provincial Directors of Health Services. All parties have been informed that a ad hoc imprests obtained for a particular purpose should be returned immediately if it is not used for the relevant purpose. | Funds should be released only after the organization activities of programmes are completed. |

2.5 Reconciliation Statement on the Advances to Public Officers' Account

The following observations are made.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
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(a) Due to non-adjustment of loan balances between transferring institutions owing to not taking steps to settle loan balances at the time of transfer of officers and employees and lack of information including loan cards and loan files on loan repayments, a sum of Rs.12.83 million was due from 218 officers and employees who were	It is agreed with the audit observation. Due to difficulty in finding proper information about the places where the relevant officers have been transferred and due to non-reconciliation of loan balances, it has not been possible to settle these debt balances thus far. Information on places applicable to	According to the circular provisions, action should be taken to settle the loan balance within 03 months of the transfer of the officer.

transferred from the ministry to other ministries, departments, hospitals and other institutions of the ministry and provincial councils and out of the above balance, Rs.9.29 million or 72 per cent was the loan balances of 170 persons that remained outstanding for more than 05 years.

the transfers is still being sought.

- (b) Due to the delay in issuing vacation of the post letters to the officers and employees who have vacated the service, inability in finding out the current addresses of the officers, delay in submitting the loan files, lack of guarantors due to exceeding 10 years period of service, failure to take legal action expeditiously, a sum of Rs. 17.29 million was due from 713 officers and employees of the Ministry who had died, retired, who had been interdicted and left the service and of which, Rs. 9.58 million or 55 per cent due from 290 officers were the balances elapsed a period of 05 years.
- It is agreed with the audit observation. Action will be taken to recover the loan balances to reduce the long term loan balances of the retired officers by next year by informing the Department of Pensions; that the addresses of the officers who have vacated the service and those who have been interdicted will be found at the Elections Office and necessary steps will be taken to recover the loan balances, and that necessary steps will be taken to settle old debt balances by taking appropriate action.
- Action should be taken to recover the loan balances in accordance with the circular provisions.
- (c) In terms of Public Administration Circular No. 07/2015 dated 26 March 2015, the festival advances of the Public officers should be recovered in 08 installments. Nevertheless, festival advances of Rs. 213,950 granted to 107 officers had been brought forward over a period from 01 to 05 years without being taken action to settle it.
- It is agreed with the audit observation. Although the festival advance should be settled in 08 installments, as the transfer was obtained after receiving the salary for 2 or 03 months of the year in which the relevant loan was obtained, the remaining balance of the loan should be settled by the relevant institution; due to not taking action accordingly, these festival advances remained unsettled; and action will be taken to eliminate this balance from the account once the advances are settled by the relevant institutions.
- Action should be taken in accordance with the Public Administration Circulars issued annually.

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| <p>(d) According to the reconciliation statement, the recoverable and payable loan balances of the employees transferred to and arrived at the hospitals under the Ministry were Rs. 12.83 million and Rs. 2.16 million respectively. Although it is not possible to have debtor balances and creditor balances within the same item, the reasons that led to creating these balances were not presented for Audit.</p> | <p>It is agreed with the audit observation.</p> | <p>Relevant adjustments should be expeditiously made by identifying the reasons given rise to this situation.</p> |
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2.6 Deposit Balances

The following observations are made.

Audit Observation -----	Comment of the Chief Accounting Officer -----	Recommendation -----
<p>(a) Twenty-three unrealized cheques older than 06 months worth Rs.1.4 million relating to three institutions under the Ministry had been retained in the General Deposit Account without being taken action in accordance with Financial Regulation 396 and 04 canceled cheques worth Rs. 678,008 had been retained in the General Deposit Account without being taken action in accordance with Financial Regulation 394.</p>	<p>It is agreed with the audit observation.</p>	<p>Action should be taken in accordance with the provisions in Financial Regulations.</p>
<p>(b) In terms of Section 26 of the Value Added Tax Act No.14 of 2002, without being remitted the payable Value Added Tax of Rs. 752,338 relating to 04 institutions under the ministry, it had been transferred to the General Deposit Account.</p>	<p>It is agreed with the audit observation.</p>	<p>Action should be taken in accordance with the circular provisions</p>

3. Operating Review

3.1 Non achievement of Exepcted Output Level

The following observations are made.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
Based on a written request of the Director of the Polonnaruwa District General Hospital, a Mine Portable Digital X-Ray machine had been purchased at a cost of Rs. 9.95 million on 05 November 2020 as an urgent purchase following a limited bidding process for the Covid-19 Special Treatment Center, Polonnaruwa. A Radiology Technician had not been appointed for the technical evaluation and the Government Association of Radiology Technologists had stated that the machine could not be used as it posed a risk to users and patients and that the purchase was a waste of money. Confirming that, the machine remained idle without being used even by 19 February 2021.	It is not agreed with the audit observation. Action was taken to purchase a Mine Portable Digital X-Ray machine for the Covid-19 Special Treatment Center, Polonnaruwa to conduct radiation tests expeditiously keeping away from the patients receiving treatment and for the safety of the machine users and a committee was appointed to examine the explanations made by the radiologists regarding their refusal to use the machine and their views on the audit observations and that further action will be taken according to the report submitted by the committee.	Necessary steps should be taken on the responsible parties by conducting a formal inquiry in this connection.

3.2 Foreign Aid Projects

The following observations are made.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) The following observations are made on the Health Facility Development Project of selected hospitals, (i) Having accepted a project proposal submitted voluntarily by CETC International Com Ltd, China, this project had been implemented obtaining a loan of US\$. 85 million comprising US\$. 72.25 million from the Hongkong and	It is not agreed with the audit observation.	Steps should be taken to always select projects that are no

Shanghai Banking Corporation Limited and US\$.12.75 million from the People's Bank. At the outset, Cabinet approval had been granted 22 on July 2010 to authorize the Director General of the Ministry of External Resources to enter into a Memorandum of Understanding to obtain non-commercial loan from the Government of China to finance it, to appoint a Negotiating Committee and a Project Committee to evaluate the scope of the project proposal and to discuss the matters on obtaining loan facilities under acceptable terms. Similarly, the approval of the Cabinet Appointed Negotiation Committee had been given for the scope of the project on 07 November 2013. However, after considering the Cabinet Memorandum submitted by the Minister of Health on 10 January 2014 regarding the procurement of this project, the Minister of Finance had recommended that the project proposal should be rejected since the project proposal is a voluntary submission by CETC International Com Ltd and is not on the priority list of projects proposed to be funded by the Chinese Government under concessional terms, the Chinese Government has already initiated projects with US \$ 300 million in grants for projects in these areas and the Ministry of Finance and Planning is taking measures to provide adequate capital through the Medium Term Budget Framework for the overall needs of the hospitals to be identified in the future. Although the Cabinet had informed the Secretary to the Ministry of Health 21 on March 2014 to implement the recommendation of the Minister of Finance, irrespective of this, a Cabinet Memorandum had been submitted again on 20 November 2015 for this project.

disadvantages to the government. A formal inquiry should be conducted in this regard.

- (ii) With regard to the Cabinet Memorandum, the observations of the Ministry of National Policies and Economic Affairs were that voluntary project proposals should not be accepted as a policy and that all project proposals should comply with government procurement rules and this proposal should be submitted to the Cabinet Committee on Economic Management for further review. Without being taken action by the Secretary to the Ministry to call for competitive bids from interested parties regarding these project activities as per the recommendations made by the Secretary to the Prime

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Minister in his letter dated 05 February 2016 to the Secretary to the Ministry of Health to implement the recommendations made by the Cabinet Committee on Economic Management dated 02 February 2016, a Cabinet Memorandum had been submitted again on 19 April 2016 and Cabinet approval had been obtained to award the contract for this project to CETC International Co Ltd, Government of China.

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| (iii) According to the observations made by the Minister of Finance and the recommendations of the Cabinet Committee on Economic Development to the Cabinet Memorandum dated 19 April 2016 submitted by the Minister of Health, it had been informed to seek advice from the National Procurement Commission to follow the Swiss Challenge Procurement Procedure in the procurement process for awarding the contract. Nevertheless, without consulting the Commission, the Ministry had taken steps to seek the necessary approval to award the contract to CETC International Co Ltd by making submissions to the Cabinet. Accordingly, fair, equal, and maximum opportunities had not been provided to those who were qualified and interested in participating in the procurement. | -Do- | -Do- |
| (iv) Although the External Resources Department had informed the Secretary to the Ministry of Health on 07 November 2016 that the Exim Bank of China had stated that it would evaluate the new proposals only after the completion of the priority projects that were currently being evaluated, and as a result, it would take a considerable time to evaluate the new proposals and assistance could not be obtained from the Chinese Government due to entering into the agreement between the Ministry and the Company, the Ministry had entered into a contract agreement with the CETC International Co Ltd on 06 May 2017. It was accordingly observed that a definite decision on the financial facilities of the project had not been reached before entering into a contract agreement. | -Do- | -Do- |

- (v) In terms of contract agreement, although the contractor should agree to carry out market surveys on each of the equipment procured under the project and make a pre-compliance technical specification and a proper estimate of the current market price, the below mentioned shortcomings were observed due to not reaching such agreement.
- ❖ Under this project, 29 High-Pressure Sterilizers had been purchased in October 2019 at US \$.88,445.56 each. However, in a procurement carried out by the Biomedical Engineering Services Division in the year 2020, a bid of US \$ 67,685.79 had been made for this type of High-Pressure Sterilizer. Accordingly, the loss to the government due to the purchase of 29 High-Pressure Sterilizers by the project was US \$ 602,033.33 or Rs.109,196,805. -Do- The maximum benefits to the government should be ensured in future purchases.
 - ❖ Under this project, 154 ECG Recorders had been purchased in November 2019 at US \$.955.79 each. However, in a procurement carried out by the Biomedical Engineering Services Division in the year 2020, a bid of US \$ 620.64 had been made for this type of ECG Recorder. Accordingly, the loss to the government due to the purchase of 154 ECG Recorder by the project was US \$ 51,613.10 or Rs. 9.36 million. -Do- -Do-
- (vi) In addition to the types and amounts of medical equipment agreed to be purchased in accordance with the contract, 36 units of 6 medical equipment items had been purchased at an additional cost of US \$ 1,713,017, whereas the necessity and authority for that purpose were not confirmed. It is agreed with the audit observation. A formal approval should be obtained to make changes of the projects.
- (vii) Seven hundred and thirty two (732) units of 11 medical equipment items worth US \$ 10,341,390.57 that did not match with the technical specifications to be available in the medical equipment to be procured in accordance with the contract had been purchased . -Do- -Do-

(viii) In terms of contract agreement, no service or maintenance agreements had been entered into with the manufacturers and their authorized local agents in Sri Lanka for 07 years after the expiry of the warranty period for 18 medical equipment and for 01 year from the date of issuing installation certificates for other medical equipment.	-Do-	Service and maintenance agreements should be entered into with the authorized local agents in Sri Lanka.
(ix) Twenty five Mortuary Coolers costing US \$ 448,957.25 had been purchased from a contractor who had not obtained a registration certificate and import license issued by the National Drug Regulatory Authority and 436 Pulse Oximeters costing \$ 414,173.84 had been purchased from a contractor whose import license had expired.	-Do-	Equipment without a certificate of registration and import license issued by the National Drug Regulatory Authority should not be purchased.
(x) It was not confirmed to have been properly installed 1,681 units of 22 items of medical equipment costing US \$ 20,858,277.81 that had been distributed to hospitals during the period from 01 November 2019 to 28 December 2020 and the receipts of 517 units of 17 items of medical equipment costing US \$ 3,653,709.83 distributed to hospitals during the period from 09 January 2020 to 18 January 2021 had not been confirmed by the goods receiving orders of the relevant hospitals. Similarly, 155 units of medical equipment, valued at US \$ 9,244,757.86, had been distributed to hospitals without being issued the issuing orders.	-Do-	Action should be taken to obtain equipment installation certificates expeditiously and to obtain goods receiving orders for all issues after issuing issuance orders.
(xi) The management of the Kurunegala Teaching Hospital had confirmed that they could not be satisfied with the standard of the Echo Cardiography machine costing US \$ 75,027.91 that had been given to the Cardiology Unit of the Hospital.	-Do-	Proper measures should be taken following a proper inquiry in this connection.
(xii) It was observed during audit test checks that equipment valued at US \$ 1,211,948.14 purchased and issued to hospitals under the project had remained idle without using even by 31 May 2021.	-Do-	Necessary action should be taken to utilize all the equipment purchased under the project.

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| <p>(b) The Fleming Fund of Great Britain had agreed to provide a grant of 4,639,805 Pound for a project to strengthen medical laboratory services in Sri Lanka, which was proposed to be implemented during the period from 2018 and 2021 and the Cabinet approval had been granted on 29 October 2019 to enter into the Memorandum of Understanding (MoU) for this project. Although discussions in this connection had been conducted from the year 2018, it had been failed to enter into the relevant Memorandum of Understanding and to reach the proposed agreement to be signed with the British Department of Health and Social Protection even by 15 March 2021. This grant had been lost due to continuous delays that occurred due to lack of special interest for this purpose.</p> | <p>It is agreed with the audit observation.</p> | <p>Necessary measures should be taken regarding the responsible officers following a proper inquiry in this connection</p> |
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3.3 Implementation of Projects under Domestic Financing

The following observations are made.

Audit Observation

Comment of the Chief Accounting Officer	Recommendation
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For the Implementation of Electronic Medical Recodes in Sri Lankan Government Hospitals Project worth Rs. 1,805 million as per the proposal submitted by the Information and Communication Technology Agency of Sri Lanka (ICTA) in 2016, the relevant Cabinet approval had been granted on 05 October 2016. It had been planned to improve the quality and efficiency of the health service by implementing this project in 300 government hospitals covering all types of hospitals in the country by 31 December 2018. While the Hospital Health Information Management System (HHIMS) software was being installed in 41 out of 300 hospitals as at 31 December 2017, the Ministry of Finance had taken steps to hand over the future of the project to the Ministry of Health from 2018. The following observations are made in this connection.

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| <p>(a) The Ministry of Telecommunication and Digital Infrastructure had provided Rs. 355 million to ICTA in 2016 for this project. According to the information provided, a sum of Rs 147.61 million of the above amount had been spent on hardware, whereas no information had been submitted to the</p> | <p>It is agreed with the audit observation.</p> | <p>Action should be taken to identify all expenditures incurred, take over all the assets to the Ministry, and account for the assets.</p> |
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Audit on the amount spent on software, human resources, maintenance and services and other requisites.

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| <p>(b) Subsequent to handing over the future of the project to the Ministry of Health from 2018, the Ministry of Health and the Ministry of Telecommunication and Digital Infrastructure had not reached an agreement as to how the project would proceed and maintain the established systems, and the responsibilities of each Ministry had also not been determined. Further, due to the Ministry of Health not taking action to obtain the Source Code and System Administrator rights to the HHIMS software established by ICTA, without being installed that software in hospitals where HHIMS software had been planned to be installed, it had taken time to develop and install the Health Information Management System (HIMS) software in hospitals in those hospitals. Although the installation of HIMS software had been initiated in 63 selected hospitals since 2018, it had not been possible to complete the project as planned.</p> | <p>-Do-</p> | <p>All parties involved in this project should work together to complete the project successfully.</p> |
| <p>(c) The Ministry of Health had spent a total of Rs. 245.21 million for this project in 2018, 2019 and 2020. Three hundred and eighty-four (384) Laptops costing Rs. 23.68 million, 32 printers (Brother Printer) costing Rs. 1.25 million, 80 Bixolon POS Printers & Bixolon Sticker Printers costing Rs. 4.52 million, 395 Barcode Readers costing Rs. 1.57 million included in the above expenditure and distributed to selected 15 hospitals had remained idle without being used as at 10 May 2021. Further, 900 Laptops costing Rs. 55.51 million, 86 printers (Brother Printer) costing Rs. 3.36 million, 215 Bixolon POS Printers & Bixolon Sticker Printers costing Rs. 6.20 million, and 1,045 Barcode Readers costing Rs. 4.17 million purchased and distributed to 43 hospitals under this project had remained underutilized due to not completing the required server facilities.</p> | <p>-Do-</p> | <p>Necessary steps should be taken to use all equipment purchased under the project.</p> |

(d) The Procurement Committee of the Ministry had called for bids on 06 September 2018 for the supply, delivery and installation of servers and accessories under this project and it had taken 47 days to inform the relevant division of the Procurement Committee dated 28 November 2018 to award the contract at a contract value of Rs. 147.94 million. As a result, the contract had been awarded on 25 February 2019 after a delay of 172 days from the date of calling for bids. According to the agreement, the goods had to be delivered before 30 July 2019, but the goods had not been delivered by the time of the performance bond expiring on 25 December 2019, and no action had been taken to extend the period of the performance bond or encash it before the expiry. Although the Procurement Committee of the Ministry had decided on 10 September 2020 to finalize the procurement and take action against the contractor, no action whatsoever had been taken in this connection even by 15 September 2021.

-Do-

The loss to the government should be recovered from the responsible parties following a formal inquiry in this connection and further action against the contractor should be expeditiously taken.

3.4 Procurements

The following observations are made.

Audit Observation

Comment of the Chief Recommendation Accounting Officer

(a) Under the project of providing laboratory equipment to the hospitals under the control of the Provincial Council for the purpose of early detection, diagnosis and regular monitoring of dengue patients with the assistance of laboratory tests by providing laboratory equipment expeditiously and efficiently, the contract for the procurement of 12 Fully Automated 5 Part Hematology Analyzers had been awarded on 30 January 2020 for Rs. 14.4 million by calling for bids under the National Competitive System on 27 December 2018. The following observations are made in this connection.

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| (i) | In accordance with Guideline 4.2.3 of the Government Procurement Guidelines, the reasonable time available for procurement is 15 weeks, whereas 83 weeks had been taken for that purpose. It was accordingly observed that there had been no intention to procure laboratory equipment expeditiously. | It is agreed with the audit observation. | In accordance with the Guidelines of the Government Procurement Guidelines, action should be taken to complete procurements within the reasonable time available for procurement. |
| (ii) | Contrary to the provisions of paragraph 2.7.4 of the Government Procurement Manual, a member of the Technical Evaluation Committee on this Procurement had been appointed as a member of the relevant Ministry Procurement Committee as well. | -Do- | Guidelines of the Government Procurement Guidelines should be followed. |
| (iii) | Bids had been invited for the Fully Automated 5 part Hematology Analyzer which does not conform to the technical specifications prepared and approved by the Biomedical Engineering Services Division and the authority to deviate from the approved technical specifications was not disclosed. | -Do- | Necessary steps regarding the responsible officers should be taken following an inquiry in this connection. |
| (iv) | Although the selected bidder had not fulfilled the Critical Technical Conditions stipulated in the specifications approved by the Technical Evaluation Committee, the fact of non-compliance with the specifications had not been stated in the Technical Evaluation Committee reports. | - Do - | - Do - |
| (v) | Although the other bidders had made appeals regarding calling for bids for the Fully Automated 5 part Hematology Analyzer with specifications that did not conform to the approved technical specifications, and the fact of not meeting the Critical Technical Conditions set out in the approved specifications by the selected bidder, recommendations on the appeals had not been made organizing a joint meeting of | - Do - | - Do- |

the Ministry Procurement and Technical Evaluation Committee contrary to Guideline 8.5.1 (b) of the Government Procurement Guidelines and out of the five members of the Technical Committee, only one member had participated in the Appeals Committee.

(b) The following observations are made with regard to the contract for the construction of official quarters for the resident doctors of the Kalutara General Hospital with an estimated total cost of Rs. 139 million and a contract value of Rs. 136.6 million.

(i) Although the reasonable time available for procurement is 55 weeks in accordance with Guideline 4.2.2 of the Government Procurement Guidelines, 110 weeks had been taken for that purpose.

It is not agreed with the audit observation.

In accordance with the Guidelines of the Government Procurement Guidelines, action should be taken to complete procurements within the reasonable time available for procurement.

(ii) The Contract Agreement had not been registered in terms of the Public Contract Agreement Act No. 03 of 1987. Further, the validity of the insurance cover offered by the Contractor for all the risks and compensation of the working persons had expired by 30 April 2020, whereas action had not been taken to extend their term before the expiry.

-Do-

The Contract Agreement should be registered in terms of the Public Contract Agreement Act No. 03 of 1987. Steps should be taken to extend the validity of insurance policies before their expiry.

(iii) In terms of paragraph ii of the Contract Grant Letter issued to the Contractor on 23 February 2018, the contract term shall not be extended and penalties shall be levied in accordance with the Agreement for the delay. Further, as per paragraph iii of the contract awarding letter, the extension of the contract period without payment of price variations can only be considered as an alternative to levying fines. Nevertheless, in addition to the extension of the contract

- Do -

Action should be taken in accordance with the terms of the contract awarding letter. Formal action should be taken against the officers who did not comply with that terms.

period, Rs. 2.30 million had been paid for price variations and no penalty had been imposed for the late period.

- (iv) Although work should have been completed on 21 March 2019 as per the contract agreement, work had not been completed even by 10 June 2021.

-Do-

Action should be taken to complete work within the prescribed timeline as per the contract agreement.

- (c) The following observations are made with regard to the contract for the construction of an Orthopedic Unit at Karapitiya Teaching Hospital with an estimated total cost of Rs. 77.38 million and a contract value of Rs. 68.92 million.

- (i) Although the reasonable time available for procurement is 43 weeks in accordance with Guideline 4.2.2 of the Government Procurement Guidelines, 72 weeks had been taken for that purpose.

It is not agreed with the audit observation.

In accordance with the Guidelines of the Government Procurement Guidelines, action should be taken to complete procurements within the reasonable time available for procurement.

- (ii) Although the bid submitted by the contractor was Rs. 68.88 million, the Technical Evaluation Committee had changed the value to Rs. 68.92 million and awarded the contract at a value higher than Rs. 47,188 to that amount.

-Do-

An evaluation report specifying the manner in which all the changes were made by the Technical Evaluation Committee should be submitted and the original copy of the bids submitted by the Contractor should be kept safe.

- (iii) The contract agreement had not been signed even by 31 December 2020 due to lack of documents to be contained in the bid documents.

-Do-

The contract agreement should be signed immediately.

- (iv) In terms of paragraph ii of the Contract Grant Letter issued to the Contractor on 13

It is agreed with the audit observation.

Action should be taken in accordance with the terms

December 2017, the contract term shall not be extended and penalties shall be levied in accordance with the Agreement for the delay. Although the period of delay was 23 months as at 31 December 2020, no penalties had been levied. Further, as per paragraph iii of the contract awarding letter, the extension of the contract period without payment of price variations can only be considered as an alternative to levying fines. Nevertheless, a sum of Rs. 2.01 million had been paid for price variations as at 31 December 2020.

of the contract awarding letter.

(v) Although the value of the work done on the payment certificate should be taken into account when calculating the price variation, the value certified by the consulting firm had been considered instead. As a result, price variation had been overpaid for work done value of Rs.4.43 million.

-Do-

Price variation should be calculated by taking into account the value of the work done on the payment certificate. Overpayments should be recovered from the relevant parties.

(vi) Although work should have been completed on 31 January 2019 as per the contract agreement, work had not been completed even by 31 December 2020.

-Do -

Action should be taken in accordance with the terms of the contract awarding letter. Formal action should be taken against the officers who did not comply with that terms.

(d) The following observations are made on the contract for the supply and installation of an electric elevator with a capacity of 1,000 kg that can carry up to 15 people at a time for the surgical ward complex at Peradeniya Teaching Hospital.

(i) Although the total cost estimate of Rs. 7.27 million prepared included Rs. 200,000 for civil modifications, no clear analysis of those civil modifications had been submitted. The bid had not been submitted so as to identify how much money had been allocated for civil modifications out of the contract value of Rs. 5.08 million submitted

It is agreed with the audit observation.

In making allocation in an estimate, details on the relevant work item should be clearly stated.

by the bidder selected for the contract.

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| (ii) In stark contrast to the bidding specification, bids had been submitted for an electric elevator with a capacity of 750 kg that can carry only 11 people at one time. As it was a major deviation from Guideline 7.8.4 (i) of the Government Procurement Guidelines, the bid should have been rejected, whereas the contract had been awarded to the same bidder instead. | The specifications had not been properly prepared as it had not been revealed that the standard length and width for the installation of a 1000 kg elevator were not in place due to two beams protruding inside. Accordingly, as the Technical Evaluation Committee and the Procurement Committee revealed that the width of the elevator should be further reduced, the procurement was awarded for the installation of an elevator with 750 kg in weight. | Action should be taken in accordance with the Guidelines of the Government Procurement Guidelines. |
| (iii) Although an agreement had been entered into with the contractor on 10 April 2019 to supply and install an electric elevator with a capacity of 1,000 kg, an elevator with a capacity of 750 kg had been installed. | -Do- | Steps should be taken on the contractor's failure to act in accordance with the agreement. |
| (iv) In terms of the Instruction to Bidders No.34 and paragraph 02 of the Contract Awarding Letter, although a performance guarantee with a one year warranty period valid from the date of completion of the construction should be obtained, the performance guarantee of Rs.508,470 submitted had expired on 20 June 2020, that is, after 06 months from the date of completion of the installation on 16 December 2019. Nevertheless, no action had been taken to extend the validity of the performance guarantee. | The contractor has been informed to extend the performance guarantee and action will be taken not to pay the bills until it is provided. | Action should be taken in accordance with the agreed terms. |

(v) There was an unfavourable variation of Rs.389,220 between the bids of Rs. 725,000 and Rs. 335,780 respectively submitted by the selected bidder and the rejected bidder for the maintenance cost for the next 5 years.

The bid submitted by Metropolitan Ltd. has been removed from the evaluation and the bid submitted by the selected bidder has not been compared with it.

Bids should be evaluated based on the specifically mentioned criteria

(e) The following observations are made on the contract for the construction of the Medical Ward Complex of the Chilaw General Hospital at a contract value of Rs. 583.78 million.

(i) Although the reasonable time for this procurement is 88 weeks as per the Guideline 4.2.2 of the Government Procurement Guidelines, 152 weeks had been taken for that purpose.

The matters such as making recommendations to revise the bid documents from time to time, preparation of bid documents accordingly, evaluation of the bids, obtaining written explanations from the bidders and re-evaluating the bids have given rise to this situation and these occurrences are common in such complex procurement of high value.

In accordance with the Guidelines of the Government Procurement Guidelines, action should be taken to complete procurements within the reasonable time available for procurement.

(ii) The original copy of the bill of quantity inclusive of prices submitted by the selected contractor was not submitted for Audit. Further, the value of 06 work items in the bill of quantity included in the contract agreement had been changed and the bidder had not signed for those changes.

The original copy of the bill of quantity will be expeditiously furnished.

The original copy of the bill of quantity inclusive of prices submitted by the selected contractor should be kept safe.

(iii) The contract agreement had not been registered as per the Public Contract Agreement Act No.03 of 1987.

The tenderer has not submitted the details of the tender to the Registrar of Public Contracts and registered the Public Contract Agreement within 60 days from the date of awarding the tender and action will be taken for that purpose in the

The contract agreement should be registered as per the Public Contract Agreement Act No.03 of 1987.

future.

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| <p>(iv) In terms of paragraph ii of the Contract Grant Letter issued on 15 November 2017, the contract term shall not be extended and penalties shall be levied in accordance with the Agreement for the delay. Further, as per paragraph iii of that letter, the extension of the contract period without payment of price variations can only be considered as an alternative to levying fines. Nevertheless, Rs. 8.70 million had been paid for price variations from the 1st bill and extensions too had been made.</p> | <p>That the first extension of this contract up to 08 April 2020 has been approved by the Director General of Health Services. Although the recommendation to extend the contract date from 09 April 2020 to 23 September 2020 should be submitted to this Ministry, the Central Engineering Consultancy Bureau has submitted the recommendation directly to the State Engineering Corporation with a copy to this Ministry and accordingly, no action had been taken to obtain approval to extend the contract period at that time and that no action has been taken to levy late fees as it had been submitted to extend the contract period.</p> | <p>Action should be taken in accordance with the terms of the contract awarding letter.</p> |
| <p>(v) Although the Engineering Division of the Ministry of had changed the value of the work completed in the bills before recommending payment, overpayments had been made for work doe value of Rs.4.26 million due to not adjusting price variations according to that modified work value</p> | <p>Not commented.</p> | <p>Price variations should be calculated taking into account the value of work done on the payment certificate. Overpayments should be recovered from the relevant parties.</p> |
| <p>(vi) Although the works should have been completed on 24 March 2020 according to the agreement and the extensions, works had not been completed even by 31 January 2021.</p> | <p>-Do-</p> | <p>Action should be taken to complete the works within the prescribed timeline in accordance with the contract agreement.</p> |
| <p>(f) The following observations are made regarding the renting of the Medi House building for the use</p> | | |

of the Ministry.

- (i) According to the Cabinet decision dated 27 February 2018, as emphasized in the observations made by the Minister of Finance and Mass Media, the building could have been obtained on rent if it could have been agreed with the Government Assessor's assessment report as per Financial Regulation 835 (2). Nevertheless, without being obtained the valuation report of the building from the Chief Assessor of the Valuation Department and instead, based on an informal and illegal assessment report obtained from a Colombo Municipal Council employee, the building had been rented for a total of Rs. 239.08 million for the period from 01 August 2018 to 31 July 2020.
- According to the decision of the Cabinet of Ministers, the rent assessment report has been called for from the Chief Assessor in accordance with Financial Regulation 835 (2) (c); that on the recommendation of the Technical Evaluation Committee, the Ministry Procurement Committee discussed with the selected bidder regarding the reduction of the relevant price as the rent assessment was lower than that of the bidder who had submitted the lowest bid selected through open procurement; that the selected bidder did not agree for the price reduction; accordingly, action has been taken to inform the Cabinet of the situation arisen and to obtain a decision; according to the observations of the Minister of Finance, as it had been stated to take action to make a decision by the Ministry in accordance with the Financial Regulations 835 (2), having obtained a Procurement Committee Decision as stated in the Financial Regulation 835 (2) (c) either to accept the decision of the Chief Assessor or to follow the required procedure in case of disagreement and submitted it to the Secretary to the Ministry, action has been
- Necessary action should be taken on the relevant parties following a formal inquiry in this connection.

taken accordingly; that no action has been taken to obtain the approval of the Attorney General as the Legal Officer of the Ministry has taken measures with regard to entering into the contract agreement after the award of the contract, and that action will be taken to rectify these shortcomings in future procurement activities.

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| (ii) Contrary to the provisions of paragraph 2.8.1 (a) of the Government Procurement Supplementary No. 27 of 08 August 2012, the Chairman of the Procurement Committee had acted as the Chairman of the Technical Evaluation Committee relating to this Procurement. | -Do- | Action should be taken in accordance with the Government Procurement Guidelines. |
| (iii) The consent of the Attorney General had not been obtained for the lease agreement as per Financial Regulation 835 (3) | -Do- | Action should be taken in accordance with Financial Regulations. |
| (iv) Charge reduction had not been done for the non-installation of the second elevator and failure to set up the second checkpoint, which was due to be completed by the day of access into the building, according to the procurement decision. | -Do- | Charges should be suitably deducted from the monthly rent for the works that have not been properly carried out. |
| (g) Although bids had been called for from 18 registered suppliers for the supply of Film Laser Blue Base 26x36 cm required for radiation testing at the Colombo National Hospital, no bidder had submitted a bid by 25 July 2019, the closing date of the bids. Therefore, although the bid had to be called for again, a bid of Rs. 3.52 million submitted on 31 July 2019, six days after the closing date for bids had been accepted and awarded the procurement. This supplier had not been registered with the National Drug Regulatory Authority to supply Film Laser Blue Base 26x36 | It is not agreed with the audit observation. The Film Laser Blue Base 26x36 cm is a mechanical item and this can only be purchased from this agency as there is no other supplier for this item. The bid inclusive of the price quoted by the relevant institution has been signed by the Bid Opening Committee with the relevant date stamped on the | Action should be taken in accordance with the Guidelines of the Government Procurement Guide and the bidding terms. |

cm. Similarly, this procurement was not in conformity with the Guidelines 2.11.1 (c), 2.11.3, 2.12 and 6.3.6 of the Government Procurement Guidelines.

correct date. Due to a mistake of the officer in charge of the subject, the same document pertaining to the date on which no bid was submitted on 25 July 2019 has been used for this purpose. Although the bid letter states that bidders who do not have NMRA certification will be rejected, this agency is the sole supplier of the relevant items. Although that bid was rejected, due to the lack of other suppliers who could supply the relevant items, the procurement was given to the same institution taking into account the patient care service

(h) Consumables and materials totaling Rs. 19.39 million had been purchased for the Kurunegala Teaching Hospital on 04 occasions during the year under review following the shopping method. The following observations are made in this connection.

(i) As bids had been called only from 10 out of the 24 registered suppliers for consumables and materials in all four cases, it had deprived all registered suppliers of the fair and equitable opportunity to participate in the procurement.

It is not agreed with the audit observation. Action was taken to call for bids from registered suppliers around the hospital, taking into consideration the expediency of obtaining goods for the urgent needs of the hospital. Only suppliers around Kurunegala had to be selected due to the closure of a number of areas in the country and the dysfunctionality of the post office due to the epidemic situation prevailing at the

Necessary action should be taken on the relevant parties following a formal inquiry in this connection.

time of calling for all bids from the second calling of bids.

(ii) Bids submitted by two companies belonging to the same family according to the business name registration certificates and only one bid of another supplier had been evaluated and consumables had been purchased from the two companies belonging to the same family and this procurement had not been carried out according to the Guidelines 2.12, 2.11.2, 3.4.2 (a) (i), 4.2, 6.1, 6.3, 6.3.6 and 8.9.1 (b) of the Government Procurement Guidelines. As such, it was observed that opportunities to obtain competitive minimum prices for consumables had been lost and the reliability and transparency of the procurement process had not been protected.

Procurement activities are carried out on the basis of bids received in calling for tenders for various items. Goods are purchased at the lowest possible price or on the recommendation of the evaluation board report to the maximum advantage to the government. Purchases are not made by going to each institution to compare the bids received in the tender process.

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(iii) When comparing the prices obtained from the State Trading (General) Corporation Limited by the auditors, it was observed that Rs. 1.94 million had been overpaid to the two suppliers and Rs. 1.47 million had been overpaid to the two suppliers as compared with the maximum retail prices available in the market.

Although the auditors have visited the relevant institutions and obtained the bids, those entities have only given the bids and they have not been given the responsibility of supplying the goods at that price. Procurement is carried out based on the bids received during the call for tenders and since the maximum retail price available in the market could not be found in the Gazette or any other document, the purchase was made at the lowest price offered so as to pass the maximum benefit to the Government.

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(i) The Kurunegala Teaching Hospital had purchased stationery at a total cost of Rs. 9.10 million from

the same supplier on two occasions during the year under review. The following observations are made in this connection.

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| (i) | It was observed in the examination of the Stationery Suppliers Registration Files that suppliers of computers and accessories that were not relevant to the stationery sector, suppliers who were unable to meet the hospital requirement and fake suppliers had been registered. | Audit observation is not agreed upon. | Necessary steps should be taken on the responsible parties following a formal inquiry in this connection. |
| (ii) | Having been thus called for bids from registered suppliers, stationery worth totalling Rs. 9.10 million had been purchased from a single supplier on two occasions during the year under review. Further, 02 out of 03 bids received in the first procurement and 01 out of 03 bids received in the second procurement were received from suppliers of computers and accessories that were not related to the stationery sector and another bid was confirmed to be a fake bid. Further, this procurement was not in conformity with Guidelines 2.12, 2.11.2, 3.4.2 (a) (i), 3.4.3 (c) 4.2, 5.6.1 (a), 6.1, 6.3, 6.3.6, and 8.9.1 (b) of the Government Procurement Guidelines. As such, it was observed that opportunities to obtain competitive minimum prices had been lost and the reliability and transparency of the procurement process had not been protected. | It is not agreed with the audit observation. Procurement activates are carried out on the basis of bids received in calling for tenders for various items. Goods are purchased at the lowest possible price or on the recommendation of the evaluation board report to the maximum advantage to the government. Purchases are not made by going to each institution to compare the bids received in the tender process and as such, it is not possible to find out the price differences of the goods. | -Do- |
| (iii) | When comparing the prices obtained from the State Trading (General) Corporation Limited by the audit officers, it was observed that Rs. 3.60 million had been overpaid to the supplier and Rs. 2.71 million had been overpaid to the supplier compared to the prices obtained from another private company and further, a sum of Rs. 778,417 had been overpaid as | Although the auditors have visited the relevant institutions and obtained the bids, those entities have only given the bids and they have not been given the responsibility of supplying the goods at that price. Procurement is carried out | -Do- |

compared with the maximum retail prices available in the market.

based on the bids received during the call for tenders and since the maximum retail price available in the market could not be found in the Gazette or any other document, the purchase was made at the lowest price offered so as to pass the maximum benefit to the Government.

(j) For the construction of a new incinerator at the Kurunegala Teaching Hospital, a sum of Rs. 3.88 million had been paid to the contractor as mobilization advance on 24 July 2020. The following observations are made in this connection.

(i) The environmental approval that should be obtained according to the notification published in the Extraordinary Gazette No. 772/22 dated 24 June 1993 in terms of Section 23Z of the National Environmental Act No. 47 of 1980 as amended by Act No. 56 of 1988, had not been obtained for this construction.

It is not agreed with the audit observation.

Environmental approval should be obtained in accordance with the provisions of the National Environmental Act No. 47 of 1980, as amended by Act No. 56 of 1988.

(ii) Although it was planned to burn 75 to 150 kilograms of waste per hour by this incinerator, it was revealed that it would take 2 1/2 to 3 hours to incinerate 80 kg to 100 kg of clinical waste from the incinerator installed by this contractor at the Dambulla Municipal Council in June 2020 at a cost similar to the cost of this incinerator. Accordingly, there is a reasonable doubt as to whether the incinerator intended to be built will be able to achieve the desired objectives.

It is not agreed with the audit observation. It is stated in the document including the specifications of the incinerator which the relevant institution is expected to provide to the hospital that the maximum combustion capacity is to be 100 kg per hour. Therefore, only the documents related to the pre-qualifications were checked as the combustion capacity mentioned in the bid conditions given was matched with this quantity. No field inspections have been carried

An independent inspection of the operation of this crematorium should be carried out and payment should be made accordingly.

out on pre-qualifications in the tender process carried out thus far.

(k) The following observations are made with regard to the contract for the addition of a new part for the operating theater 'B' of the Matara General Hospital with a total cost estimate of Rs. 19.28 million.

(i) Although out of the 04 bids submitted for this contract in the year 2016, the first minimum bid of Rs. 17.90 million had been rejected due to non-submission of confirmations of work done during the previous year, the contract had been awarded to the second lowest bidder of Rs. 18.20 million who had not submitted the confirmations.

It is agreed with the audit observation.

Bids should be evaluated based on the specifically fixed criteria and these evaluation criteria should be applied equally to all bidders. Following a formal inquiry in this connection, necessary steps should be taken on the officers who should be held responsible for the financial loss.

(ii) In terms of contract agreement, although a part payments can only be made when more than 60 percent of the contract value has been completed, Rs.2.41 million had been paid for 13 percent of the work completed out of the contract value as of 13 November 2017.

The contractor submits the bill to the hospital for payment after submitting it to the consultancy firm. Accordingly, the consultancy firm is consulted regarding the payment of interim bills. It was orally expressed that as 60 percent of the work done on the site is calculated and paid for, the real meaning of the agreement should be that. However, it was decided to abide by the agreement in making part payments of contracts in the future.

Action should be taken in accordance with the contract agreement and necessary action should be taken against the officials who do not comply therewith

(iii) Although more than two years had elapsed since the contractor had left the work by 31 March 2021, action had not been taken

As it has been decided to terminate the contract, advice of the Chief Legal Officer of

Action should be taken in accordance with the Guidelines of the

regarding the contractor in accordance with paragraph 8.11 of the Government Procurement Guidelines and to expeditiously complete the remaining work on the project.

the Ministry of Health has been sought on 30 August 2018 regarding the next steps to be taken in this regard, but no reply has been received as yet. Requests have been made to the Deputy Director General (Supplies) of the Ministry of Health in 2019, 2020 and 2021 to obtain the provisions for this purpose and the remaining work could not be carried out as the provision has not been allocated up to date.

Government Procurement Guidelines.

(iv) A sum of Rs.910,333 that had been obtained from the performance bond on 29 October 2018 after the termination of the agreement had not been credited to the Government Revenue as per Financial Regulation 571.

Not commented.

This amount should be credited to the Government Revenue as per Financial Regulation 571

(1) The Biomedical Engineering Services Division had purchased 11 ICU Ventilators (Adult & Pediatric) machines required for hospitals under the Ministry at a cost of Rs. 23,320,000 during the year under review following the open bid procurement method. It had been decided to award the procurement to the company which had submitted the lowest bid out of the 7 bidders who had submitted their bids for this procurement. The observations made during the audit test check in this connection are given below.

(i) According to the bid document submitted by the lowest bidder, bids had been presented to supply Oricare V8800 ICU Ventilators manufactured in the United State of America. Further, according to the Certificate of Registration of the Machine and the Import License issued to this bidder by the National Drug Regulatory Authority, permission had been given to import Oricare V8800 ICU Ventilators manufactured in the USA. But according to the Manufacturer's

It is not agreed with the audit observation. The Certificate of Registration and Import License issued by the National Drug Regulatory Authority for ICU Ventilators (Adult & pediatric) machines have been obtained in connection with this procurement. They clearly state that the United States is

Necessary steps should be taken on the responsible parties following a formal inquiry in this connection.

Authorization submitted by the bidder, the manufacturing country of the machine was China. Accordingly, it was observed that after submission of bids for the supply of Oricare V8800 ICU Ventilators manufactured in the United States, 11 Chinese ICU Ventilators (Adult & pediatric) machines which had not been approved to import had been supplied to the Biomedical Engineering Services Division on 30 November 2020.

the manufacturing country. Although the manufactory of these machines is in China, it is clear from the product certification that their parent company is the United States of America and it is very clearly stated on the back of machines delivered to the stores that the country of manufacture is the United States.

(ii) In the bid documents submitted by the lowest bidder, it had been stated with the specification of the ICU Ventilators (Adult & pediatric) that the country of manufacture of the machine is the United States of America or China. Since the National Drug Regulatory Authority had registered the USA-made Oricare ICU Ventilators under the name of this bidder, the Technical Evaluation Committee should have taken steps either to get the bidder's agreement to the effect that the machine to be supplied should be a machine manufactured in USA by taking into account the note that the country of manufacture of the machine is the United States of America or China or to reject the bid. However, without being taken action accordingly, the Technical Evaluation Committee had recommended to award the bid to lowest bidder. Accordingly, the Technical Evaluation Committee had taken steps to allow the bidder to supply 11 Chinese-made Oricare ICU Ventilators instead of supplying 11 Oricare ICU Ventilators manufactured in the United States.

It is not agreed with the audit observation. Oricare Inc is a company in the United States of America and its subsidiary is operating in China. Although the Oricare ICU Ventilator is manufactured in a factory in China, the technology used is similar to that of the parent company of Oricare Inc. Since the Oricare V8800 Ventilator model was matched with the technical specifications offered, the Technical Evaluation Committee recommended the purchase of the Oricare V8800 Ventilator from the relevant bidder considering all other matters.

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(iii) The supplier had delivered 11 ICU Ventilators to the Biomedical Engineering Services Division on 30 November 2020 and having inspected those 11 machines by an Engineer for compliance with the specifications and sealed and signed the

It is not agreed with the audit observations. After receiving the relevant ordered machines by the Biomedical Engineering Services Division, they will be

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invoice on 30 March 2021 certifying that the relevant product order was in accordance with the specifications, whereas a specification comparison statement had not been prepared and included in the procurement files to confirm that the Engineer had checked the compliance with such specifications.

inspected by a Biomedical Engineer to verify that they are in accordance with the required specifications and thereafter the stock will be taken. Accordingly, these machines have also been inspected, certified and distributed to hospitals for Covid 19 treatments. However, although the specifications have been checked and certified by an Engineer, a specification comparison statement has not been prepared as specified by the Audit and steps will be taken to include a specification comparison statement in the procurement files in future procurements.

(m) The following observations are made on the procurement for purchasing 52 Anesthetic machines at an estimated cost of Rs. 156 million as per the priority list for the year 2018 relating to the improvement of accident and emergency treatment units of the hospitals under purview of the Ministry of Health, Nutrition and Indigenous Medicine.

(i) A period of 72 weeks had been spent on this procurement in excess of the duration stated in Guideline 4.2.3 of the Government Procurement Manual.

It is not agreed with the audit observation. The complexity of this procurement, and difficulties in assembling members of the Technical Evaluation Committee, had attributed to this situation.

Action should be taken to complete the procurement within the duration specified in the Government Procurement Guidelines.

(ii) The tender had been awarded to the lowest of 07 bidders. It was stated in the technical specifications that the Anesthetic Ventilator should be suitable for the adults, children and the newborns as well, but the service

Agreed with the audit observation.

Bids should be evaluated based on specified criteria, and such criteria should be consistent with all the bidders.

manual of the Oricare A9800 machine dated 07 August 2014 given with the bid documents presented by the qualified bidder, stated that the machine was suitable for adults. Without examining the information given in the service manual, the Technical Evaluation Committee had selected a bidder who had submitted a bid without being compliant to the technical specifications.

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| (iii) | The NMRA certificate presented by the qualified bidder stated that the country of manufacture was United States, but the bid documents said it was China. Accordingly, there was a mismatch between the bid documents and the other documents presented, but irrespective of that, the Technical Evaluation Committee recommended to award the tender to the said bidder. | - Do. | - Do. |
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(n) The following observations are made on the procurement for the supply, installation, and maintenance of a 1.5 T MRI scanner at the Apeksha Hospital, Maharagama at an estimated value of Rs. 150 million included in the annual development plan of the Ministry of Health for the year 2018.

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| (i) | A 3 T MRI Scanner had been required by the Apeksha Hospital, but action had been taken to supply a 1.5 T MRI scanner irrespective of the requirement of the Hospital. | It is not agreed with the audit observation. Following an agreement reached in a telephone conversation held with the Director of the Hospital, a 1.5 T MRI scanner had been provided in place of a 3 T MRI scanner. | Such agreements which are deemed highly important, should be provided in writing. |
| (ii) | A period of 96 weeks had been spent on the preliminary procurement activities in excess of the duration stated in Guideline 4.2.3 of the Procurement Guidelines. | It is not agreed with the audit observation. Delays occurred due to reasons such as, a considerable amount of time had to be spent to appoint the | Action should be taken to complete the procurement within the timeframe specified in the Government Procurement |

	<p>Technical Evaluation Committee as the procurement had been made by a Standing Cabinet Appointed Procurement Committee; clarifications were sought on two occasions from the National Medicines Regulatory Authority; difficulties faced in the assembly of Technical Evaluation Committee members due to prevalence of Covid-19; and delays in obtaining particulars relating to the location of installing the machine.</p>	<p>Guidelines.</p>
<p>(iii) A provision of Rs. 150 million had been allocated on this procurement in accordance with the annual development plan for the year 2018 whereas the value of the selected bidder amounted to Rs. 281 million which was higher than the allocated provision by a sum of Rs. 131 million. The cost estimate had not been updated and approved by considering the inflation and other factors contrary to Guideline 4.3.3 of the Government Procurement Guidelines.</p>	<p>It is not agreed with the audit observation. The procurement had taken an extensive time due to the delays mentioned above. A higher amount had to be spent thereon due to the appreciation in the value of the Dollar during that period. However, action will be taken in due course to update the cost estimate and avoid delays.</p>	<p>Provisions in the Government Procurement Guidelines should be followed.</p>
<p>(iv) Failure of the bidder to furnish the certificate of NMRA along with bid documents is considered a major deviation in terms of Guideline 7.8 of the Government Procurement Manual. As such, the bid should have been rejected at the preliminary inspection itself. Nevertheless, this particular bid had been recommended by the Technical Evaluation Committee.</p>	<p>It is not agreed with the audit observation. According to the recommendations obtained by the Procurement Committee from the National Medicines Regulatory Authority, this bidder had made payments to the National Medicines Regulatory Authority and furnished the necessary documents to obtain the certificate on 28 November</p>	<p>Bids should be evaluated based on specified criteria, and such criteria should be consistent with all the bidders.</p>

2018 prior to the date of calling for bids on 29 November 2018. The sample import license had been obtained for the relevant model. This bidder had furnished the minimum bid. There were no major deviations with the technical specifications in regard to the model of the machine presented. A minimum bid of Rs. 18 million had been furnished among the other bidders. As the certificate valid with effect from 26 December 2018 had been obtained, this bid had been recommended by the Technical Evaluation Committee subject to the condition that legal advice should be sought on the possibility of awarding the tender to this bidder.

(o) The following observations are made on the procurement commenced in 2017 in connection with the purchase of 200 Defibrillators (NihonKohden, TEC - 8352 K) at a value of Rs. 9.17 million despite being planned to purchase 1,035 such devices.

(i) Although the procurement was to purchase 200 Defibrillators, only 102 Defibrillators had been received by the stores, and only 88 Defibrillators therefrom had been issued even by 15 August 2021. As such, it was observed that purchase had been made without properly identifying the requirements.

It is agreed with the audit observation.

Procurement should be made with the requirement properly identified.

(ii) The Procurement Committee is responsible for opening the bids in terms of Guideline 6.3.3 of the Procurement Guidelines. Hence, bids should be opened by a Bid Opening Committee comprising 02 members

It is not agreed with the audit observation. The bidder does not take part in opening bids when bids are called only from the local agents. It is the

Provisions of the Government Procurement Guidelines should be followed.

approved by the Procurement Committee. Nevertheless, bids relating to this procurement had been opened by the Director Finance of the Bio Medical Engineering Services Division on 30 August 2017. Furthermore, approval of the Procurement Committee had not been received on the Bid Opening Committee summoned on 27 August 2018.

- (iii) Bids had not been evaluated by a Technical Evaluation Committee contrary to the Government Procurement Guidelines, and only an engineering recommendation had been obtained. In case a consultant is entrusted to evaluate bids in terms of Guideline 7.3 of the Procurement Guidelines, the process should be executed under supervision and guidance of the Technical Evaluation Committee, but it had not been so done. As for the two instances in which bids had been evaluated for the first time and evaluating the bids called again relating to the procurement of Defibrillators, decisions had been taken by the Procurement Committee based on recommendations given by a Bio Medical Engineer who had evaluated bids sans a report of the Technical Evaluation Committee.
- (iv) As for the contract relating to this procurement, 200 Defibrillators should have been supplied, but only 102 Defibrillators had been provided by the supplier. Nevertheless, payments had been made for the items received instead of taking action to complete the contract.
- Director Finance who has so far opened bids for spare parts and accessories. A Committee has been appointed to open bids.
- It is not agreed with the audit observation. It is the methodology followed so far not to appoint a Technical Evaluation Committee when spare parts and accessories are procured by calling for bids only from local agents; and, it is the normal procedure to obtain a technical evaluation report from the relevant Engineer.
- It is not agreed with the audit observation. Payments had been made only for the spare parts and the items physically received to the stores. Payments should be made after completion of the contract in terms of the Agreement.
- Do.

3.5 Assets Management

The following observations are made.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
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<p>(a) The annual Board of Survey should be appointed prior to 15 December of every financial year in terms of Financial Regulations 507 (3) and 756(1) and Section 02 of the Public Finance Circular, No. 05/2016 dated 31 March 2016. The following observations are made in that connection.</p> <p>(i) The annual Boards of Survey had not been appointed on time relating to 83 hospitals and institutions during the year under review. Boards of Survey had been appointed for 06 of those hospitals and institutions after a delay of over 03 months.</p> <p>(ii) According to Section 3.2.2 of that Circular, the annual surveys relating to the preceding year should be physically completed prior to 15 March of every financial year, and the report of the Board of Survey should be presented to the Auditor General with a copy to the Chief Accounting Officer prior to 15 June. However, as of 12 July 2021, the Auditor General had been presented with reports of the Boards of Survey relating only to 22 hospitals and institutions for the year 2020.</p> <p>(iii) Values of shortages revealed in 23 annual surveys of stores conducted at 12 hospitals and institutions, had not been computed. It was mentioned in the observations that the expenditure to be incurred on the supply of relevant items</p>	<p>It is agreed with the audit observation. All the hospitals and institutions under purview of the Ministry have been informed to appoint Boards of Survey on time. Instructions have also been given to avoid delays in due course.</p> <p>All the institutions have been informed that annual surveys of stores should be completed and the reports should be sent on time. Conducting annual surveys have been delayed at many institutions due to prevalence of Covid-19.</p> <p>Maharagama Dental Center had given replies to the observations made in the annual survey conducted on general goods for the year 2017, and those replies were</p>	<p>The Financial Regulations and provisions of Circulars should be followed.</p> <p>- Do.</p> <p>The value of shortages revealed should be computed, and the expenditure to be incurred on the supply of relevant</p>

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| <p>again, and the fee of the Department being 25 per cent, be recovered. However, no recoveries were made up to 29 March 2021 with respect to the shortages continued to exist over 02 – 12 years.</p> | <p>acceptable. As such, the relevant file was closed in October 2020; hence, those shortages were removed from the schedule.</p> | <p>items again should be promptly recovered along with the fee of the Department equivalent to 25 per cent.</p> |
| <p>(iv) The annual survey of vehicles for the year 2020 had not been conducted relating to 85 hospitals and institutions including the Ministry.</p> | <p>The annual surveys of stores conducted for the year 2020 relating to the hospitals and institutions under purview of the Ministry, included the vehicles. Action will be taken to query the institution as to conducting the annual survey only on 14 vehicles of the Lady Ridgway Hospital. Instructions have been given that both the balance in the book and the physical balance should be mentioned in the reports of the Boards of Survey.</p> | <p>Financial Regulations and provisions of Circulars should be followed.</p> |
| <p>(b) A preschool and a daycare center had been maintained over several years by a private institution using areas of 3,558 square feet and 2,475 square feet of the ground floors of the hostels for the medical officers of the National Hospital, Kandy and the Teaching Hospital of Peradeniya respectively along with a certain outdoor area; and, the said preschool and the daycare center had been maintained only for the children of only one service of the staffs of the said hospitals without a proper approval. Furthermore, no other fees had been charged except for water and electricity charges.</p> | <p>It is agreed with the audit observation. The said preschool is maintained on mutual understanding by a private institution for the children of medical officers performing on-call duties. This had happened upon a mutual understanding between the then administration and the Medical Officers' Association.</p> | <p>External parties should not be allowed to use Government properties without being charged. Officers of all the services should be equally treated when a certain facility is provided.</p> |
| <p>(c) Having spent a sum of Rs. 771,000, the official residence of hospital director which was about 80 years old, was demolished by 15 May 2020 with the objective of constructing an isolated ward complex at the National Hospital, Kandy for admitting patients suspicious of being infected</p> | <p>It is not agreed with the audit observation. It is scheduled to establish a comprehensive emergency treatment center for Covid-19 comprising 50 rooms under financial grants</p> | <p>The removed items should be taken over after being properly inspected by a technical officer and recorded in the</p> |

with Covid-19 virus. But no plans were at least prepared by 22 September 2020 for constructing the isolated ward complex. As no agreement had been entered into with the contractor relating to the windows, timber, roofing materials, and other fittings removed from the demolished building, action was not taken to take over those items after being inspected by a technical officer and record in the register of scrap materials.

from the SAARC register of scrap materials. Development Fund. The project proposal thereon recommended by the Ministry of Health and the Ministry of Finance has received approval of the SAARC Development Fund. The Director General of Treasury Operations gave approval on 16 June 2021 to open the official bank accounts in that connection. The works will be commenced in a very short time.

- (d) Four commercial institutions had been allowed to use the premises of the Polonnaruwa Hospital over a period of 01 – 13 years without charging any ground rent.

It is agreed with the audit observation. External parties should not be allowed to use Government properties without being charged. Those external institutions providing services had been established with the objectives of facilitating the hospital staff and the patients, preventing the movements of staff, and ensuring an efficient patient care service at the hospital. However, the Provincial Department of Valuation had been requested to assess those institutions so that fees would be charged properly, but due to delays in receiving the relevant reports, charging fees had also been delayed. Action is being taken to expeditiously obtain the assessment reports.

- (e) The Teaching Hospital of Anuradhapura functioned under the Provincial Department of Health Services had come under purview of the central Government in the year 2006, but a survey plan had not been prepared by specifically identifying the area of the hospital even by 31 December 2020. As miscellaneous development activities were in progress despite the area of the

It is not agreed with the audit observation. Action had been taken to specifically identify the land of the hospital once the hospital had been taken over by the central Government in the year 2006. Action is being taken to A survey plan should be prepared by specifically identifying the land of the hospital thereby launching development works under a proper plan.

land, it was observed that the extent of the land would not be sufficient for the future development works. Furthermore, the people who had encroached a part of the land of the hospital where the sewerage system had been laid, could not be evicted even by the date of this report. Although there was a necessity for a induction zone for the sewerage system owing to health concerns, that requirement could not be fulfilled due to lack of space.

prepare a survey plan for the land. Legal action has been taken to evict the encroachers thereby acquiring the lands to the hospital. Eviction notices have been issued in that connection. Accordingly, the GramaNiladhari in charge of the division has been informed by the Divisional Secretary of the NuwaragamPalatha East to take action to acquire the land. Assistance of the North Central Provincial Commissioner of Lands has been sought with respect to induction zone for the sewerage system.

- (f) The Metamizer machine worth US \$ 0.71 million granted to the Teaching Hospital , Kurunegala in the year 2018 by the clinical waste management project of the Ministry of Health implemented at the Government hospitals under Australian and domestic loans, had been used for about one year, and remained non-functional as at the date of this report.

It is agreed with the audit observation.

This machine given to manage the clinical waste of the Government hospitals had been installed and activated, but many institutions expressed their objection owing to the smell emanating from the machine while it was running. The environmental divisions of the Urban Council had also objected to the machine, and hence, using the machine to burn the waste had to be suspended. A methodology had not been introduced to dispose of the chunks outputted from the machine. Although action had been taken to hand over such waste to the Urban Council, they refused to accept the waste. Although the expenditure on the machine

Action should be taken to solve the problems that arose with respect to the use of equipment purchased under this project.

given to the hospital had been incurred by the Ministry of Health, no instructions had clearly been issued on the maintenance and its functionality. The institution that made the constructions, did not properly hand over the machine.

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| (g) | According to information furnished by the Ministry and only 16 institutions functioning thereunder, it was observed that vehicles costing Rs. 22.27 million, machinery, equipment, and 18 quarters, along with vehicles, machinery, and 13 equipment the cost of which had not been mentioned, had remained idle without being utilized efficiently and productively. Information on assets remaining idle without being utilized efficiently and productively, had not been made available to the Audit by 38 institution even as at 15 May 2021. | It is agreed with the audit observation. This information should have been collected from 57 hospitals and institutions, and hence, providing that information had delayed. The relevant institutions have been informed to furnish the information expeditiously. Action will be taken on the underutilized equipment. | The idle and underutilized assets existing at all the hospitals should be identified, thereby making use of such assets productively. |
| (h) | All and comprehensive information on the desktop PCs, laptops, notebooks, mobile phones, and cameras provided for the ministers, deputy and state ministers, supervising MPs, consultants, staffs of the ministers, and Government officers by the Ministry sine the year 2010, had not been made available to the Audit. Ten units of 09 instruments costing Rs. 1.09 million issued to a state minister officiated from August 2015 up to November 2019 could not be retrieved. | It is agreed with the audit observation. | Such information should be made available promptly. Action should be taken formally on the items not returned. |
| (i) | Seven Infusion Pumps costing Rs. 392,000 donated by various institutions to, or purchased by, the District General Hospital, Matara, and 04 gang chairs costing Rs. 70,517 had remained idle over a period of 03-17 months as at 08 July 2021. Furthermore, the computer software installed on 23 September 2013 at an expenditure of Rs. 342,000 for administration of consumable item stocks remained underutilized. | It is not agreed with the audit observation. | Prompt action should be taken to make use of those items. |

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| (j) | In examining the report presented to the Audit relating to the receipts and issue of medical instruments from 01 January 2020 to 31 December 2020, it was found that action had not been taken to obtain receipt orders from the relevant hospitals with respect to medical instruments worth Rs. 1,856.14 million out of the issuances valued at Rs. 5,665.31 million. | It is agreed with the audit observation. Many of the receipt orders have already been obtained. Some of the receipt orders could not be obtained from hospitals owing to busyness of Store, No. 05 of the Bio Medical Engineering Services Division following the Covid 19 pandemic. Those receipt orders would be obtained once the pandemic becomes under control. However, instructions have been given to the Deputy Director General (Bio Medical Engineering Services) to give issue orders, obtain receipt orders, and update the relevant registers | Every item should be issued under an issue order and action should be taken to promptly obtain the receipt order thereon. |
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3.6 Transactions of Fraudulent Nature

Details of the transactions of fraudulent nature observed in audit test checks are as follows.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
a) The following observations were made on the contract awarded by the National Hospital, Kandy for the removal and interment of unclaimed corpses, organs, stillborn babies, and remains of infants.		
(i) According to the contract agreement, the said activities should have been carried out by the contractor under supervision of the Public Health Inspector, but the PHI had not participated in any instance.	It is not agreed with the audit observation. As for awarding tender in the year 2021 after considering the audit observations for the removal and interment of unclaimed corpses, organs, stillborn babies, and remains of infants at the National Hospital, Kandy, it had been decided to	Those activities should be carried out under proper supervision of the Public Health Inspector.

charge fees per placenta considering a placenta weighed 600 grams. In doing so, the placentas are not weighed but payments are made based on the number of mothers giving birth at the wards.

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| (ii) As the contractor had been allowed to weigh those organs stored in a refrigerator, by using a scale supplied by him, accuracy of the weight of the disposed matter had not been properly supervised. | - Do. | Accuracy of the weighing equipment should be verified. |
| (iii) Taking into account the frosted weight of placentas stored in the refrigerators on 14 September 2020 and the number of relevant mothers, the average weight was 979 grams, but as for the number of mothers and the weight for which the fees had been charged by the contractor relating to the period from 01 January 2019 to 30 April 2020, the average weight remained as high as 1.7 – 4.7 kilograms. | - Do. | An inquiry should be held in that connection, and the monies overpaid should be recovered from the parties responsible. Necessary action should be taken against the relevant officers. |
| (iv) According to the medical reports and information available on the Internet, the weight of a uterus ranged from 500 to 800 grams. Based thereon and considering that the average weight of 979 grams of the uteruses mixed with ice observed on the date of audit on 14 September 2020 would be approximated to a maximum of 01 kg, it was observed, by taking into account the number of mothers relating to the period 01 January 2019- 30 April 2020, that 24,877 kg of uteruses had been recorded in excess. As such, an overpayment of Rs. 9.36 million had made as at that date for 22,246 uteruses. | - Do. | - Do. |

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| b) | In case a junior staff member does not obtain a meal despite being ordered, the cost of that meal should be deducted from the salary of that employee in terms of Paragraph 6.6 of the Circular, No. 01/21-2015 issued by the Secretary to the Ministry of Health on 28 May 2015. However, the cost of 22,751 meals not obtained by the junior employees of the National Hospital, Kandy despite being ordered during the period 01 January – 30 September, 2020, had not been recovered from the relevant employees. | It is agreed with the audit observation.
The daily orders for meals are obtained through the meal order register being maintained at the Overseer's office. Those orders would slightly change due to various reasons. | The Circular issued by the Secretary to the Ministry of Health should be followed. |
| c) | The Laboratory Information Management System (LIMS) had been purchased incurring a sum of Rs. 3.5 million in the year 2018 as a sub-module of the Hospital Health Information Management System (HHIMS) implemented at the General Hospital, Ampara. The following observations are made in this connection. | | |
| (i) | As the LIMS module had already been integrated into the HHIMS software, it was observed that the purchase of LIMS was superfluous. | It is not agreed with the audit observation.
Provision had been granted by the Deputy Director General (Planning) on 21 August 2018 under consent of the Ministry. | The requirements should be clearly identified and the approvals should be obtained before commencing the procurement process. |
| (ii) | The procurement notice had not been published on the relevant websites contrary to Guidelines 3.2.2 (a) and 2.8.1(b) of the Government Procurement Guidelines. An expert on the subject had not been appointed to the Technical Evaluation Committee of this procurement. | It is agreed with the audit observation.
The procurement notices had been published only on the newspapers during that time. A Bio Medical Engineering Assistant had been appointed to the Technical Evaluation Committee as a subject expert. | The Government Procurement Guidelines should be followed. |
| (iii) | Two bidders had responded, and the bids should have been evaluated by adding the net present value of the maintenance cost of the software for the 04 ensuing years. However, the | It is not agreed with the audit observation.
The first bidder had presented a bid valued at Rs. 3,500,000 with a warranty for one year. | An inquiry should be conducted in that connection and the parties responsible should be identified |

maintenance cost for the 04 ensuing years amounting to Rs. 1.74 million had been added to the lowest bid of Rs. 3.50 million and the second lowest bid of Rs. 2.33 million as well, thus obtaining the value of Rs. 4.07 million to which comparisons had been made in evaluating bids. Accordingly, having entered notes bogusly that the value of first lowest bid was less than that of the second lowest bid, recommendations were given by the Technical Evaluation Committee that the procurement should be awarded to the first bidder. That recommendation was confirmed by the regional procurement committee as well, and the procurement was thus awarded to the first bidder. As such, a financial loss of Rs. 1.17 million was sustained by the Government.

The second lowest bidder had presented a bid valued at Rs.2,338,844 but a sum of Rs. 1,748,239 had been requested to be paid at once for the 04 year warranty period; as such the actual value of that bid totaled Rs. 4,087,083. Hence, no financial loss had been sustained although the procurement had been awarded to the first bidder.

thereby taking necessary action.

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| (iv) | The software had not been properly installed even by 29 April 2019 thus resulting in a delay of 07 months as at that date, but no penalties for delay could be recovered as conditions relating to the charges for delay had not been mentioned in the order issued on 24 August 2018 to the selected supplier, | It is not agreed with the audit observation.

It was mentioned in the letter dated 24 August 2018 for ordering goods that the items should be supplied prior to 10 September 2018. | - Do. |
| (v) | The supplier had entered into an agreement to install the LIMS software, but only a middleware, which would have been installed at a value of Rs. 500,000, had been integrated in the HHIMS. As such, it was observed that an overpayment of Rs. 3 million had been made to the supplier. | It is not agreed with the audit observation.

Procurement had been awarded in accordance with the bids furnished and the decisions given by the Procurement Committee and the Technical Evaluation Committee. | - Do. |
| (vi) | The software installed by the date of audit, had not been interlinked with the OPD, wards and clinic of the hospital. As such, deficiencies such as, the test | - Do. | - Do. |

reports expected to be generated by the software would be prepared manually; duplication of data; increased use of files; errors in translation; increased time consumption; samples being misplaced; difficulty in obtaining a samples; difficulty in conducting researches using existing data; and difficulty in generating statistical data, would have resulted in.

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| (vii) | It was reported that the information exchange service integrated by the ICTA into the installed software in April 2017 to share laboratory reports with the doctors had become non-functional from 20 October 2018, FBC reports could not be retrieved, and the system had become even more complex. As such, the sum of Rs. 3.5 million incurred on the purchase of new software had become fruitless whilst the existing system had become ineffectual. | - Do. | - Do. |
| (viii) | The performance security of Rs. 50,000 obtained from the supplier in terms of Guideline 5.4.10 (d) of the Government Procurement Guidelines had become expired on 02 October 2018. But, its period of validity had not been extended. | - Do. | - Do. |
| (ix) | A report had not been obtained from a subject expert to the effect that the installed software had complied with the specifications. A sum of Rs. 3.44 million had been paid to the supplier on 31 December 2018 without verifying the accuracy of the software by disregarding Financial Regulations 136, 137, 138, and 139. | - Do. | - Do. |
| d) | Bids had been invited on 24 January 2021 for laying interlock paving stones and renovating the road leading from the villas of Consultants constructed on donations prior to the tour made by the Director General of Health Services on 02 January 2021 at the General | It is not agreed with the audit observation.
The said building connecting the villas of the Consultants and the janitorial and security services, had already been constructed on | An inquiry should be held in that connection, and the parties responsible should be identified, thus taking necessary |

Hospital, Polonnaruwa, to the building of the janitorial and security services, and demolition of the dilapidated building in which electric and security divisions had been maintained on the respective estimates of Rs. 1.580 million and Rs. 699,290 (without tax). As the two projects had been completed before opening bids on 11 February 2021, it was revealed in the physical inspection carried out on 10 February 2021 that irregularities had taken place.

donations by the time of calling for bids. As such, the process of calling for bids had been cancelled. The said building has not yet been demolished. The bids had been opened and the contract for the demolition of this building had been awarded after obtaining recommendations from the Central Engineering Consultancy Bureau-being the consultant to the hospital on contracts and reports from the Technical Evaluation Committee.

- e) It had been decided by the Ministerial Procurement Committee on 05 August 2016 that it had been necessary to verify the facts such as, salaries increased by the Government for the janitors with effect from 24 March 2016 had been paid to them at the request of institutions providing janitorial services; and, before making payments, contributions to the Employees' Provident Fund and Employees' Trust Fund had been paid in accordance with the increased salaries. Accordingly, the following observations were made on the sum of Rs. 204.60 million paid to 04 institutions by the National Hospital of Colombo from January 2016 to September 2016 as salaries increased by the Government for the janitors and overtime payments thereon.

- (i) Salaries and allowances in arrears totaling Rs. 26.57 million had been paid for the aforesaid period without verifying the conditions mentioned in the decision of the Ministerial Procurement Committee taken on 05 August 2016 with respect to making payments.

It is agreed with the audit observation.

A comprehensive inquiry should be held in that connection thereby recovering the overpayments from the parties responsible. Necessary action should be taken against the officers

responsible.

- (ii) It was observed that sums of Rs. 677,160 and Rs. 202,500 paid to the contractor with respect to 1,254 shifts and 375 days respectively relating to 63 laborers, had not been paid to the laborers by the contractor; an overpayment of Rs. 131,949 as contributions to the Employees' Provident Fund and Employees' Trust Fund with respect to those laborers had been made to the contractor; and, although the contractor had been paid a sum of Rs. 25.31 million as overtime allowances for the laborers based on new overtime rates relating to that period, the contractor had not paid a sum of Rs. 7.15 million therefrom to the laborers. - Do. - Do.
- (iii) The observations made included : an overpayment of Rs. 1.92 million as salaries and overtime allowances for 24 supervisors relating to that period had been made to the contractor; a sum of Rs. 714,983 had been overpaid to 03 contractors as Value Added Tax; and, an overpayment of Rs. 81,320 had been made to a contractor based on new rates for sanitizers which had not been actually used. - Do. - Do.
- (iv) As the hospital had not obtained salary registers of 03 contractors relating to the period, January – September, 2016, the accuracy of payments made to them could not be verified. - Do. -Do.
- f) It had been decided by the Ministerial Procurement Committee on 17 December 2018 that it had been necessary to verify the facts such as, salaries increased by the

Government for the janitors with effect from 01 August 2018 had been paid to them at the request of institutions providing janitorial services; and, before making payments, contributions to the Employees' Provident Fund and Employees' Trust Fund had been paid in accordance with the increased salaries. Accordingly, the following observations were made on the sums of Rs. 8.40 million and Rs. 28.93 million paid as increased salaries and overtime payments respectively by Apeksha Hospital, Maharagama to the janitorial services supplier.

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|---|--|---|
| <p>(i) The said matters should have been verified before making payments, but without doing so, a sum of Rs. 8.40 million had been paid to the contractor as increased salaries for the employees.</p> | <p>It is not agreed with the audit observation. The payment of salaries increased by the Government, had been made to the institution supplying janitorial services to the said hospital in accordance with the decision taken by the Ministerial Procurement Committee, No. C1 dated 2018 december 17 and the request made by the relevant institution.</p> | <p>A comprehensive inquiry should be held in that connection thereby recovering the overpayments from the parties responsible. Necessary action should be taken against the officers responsible.</p> |
| <p>(ii) The observations made included : sums of Rs. 3.21 million and Rs. 2.96 million payable to the laborers for 4,342 work shifts and 4,002 days respectively had not been paid to them by the contractor; a sum of Rs. 926,184 had been overpaid to the contractor as contributions to the Employees' Provident Fund and Employees' Trust Fund for the laborers; and, an overpayment of Rs. 6.39 million had been made to the contractor based on new rates for overtime.</p> | <p>- Do.</p> | <p>- Do.</p> |
| <p>(iii) It was observed that a sum of Rs. 373,287 had been overpaid to the contractor as salaries and overtime payments relating to 06 supervisors.</p> | <p>- Do.</p> | <p>- Do.</p> |

- g) The Chief Magistrate of the Magistrate’s court, Matara had been informed by the Director of the hospital that the remains of a patient died in admission to the outpatient department of the General Hospital, Matara on 13 February 2021 and later identified to have been Covid-19 positive, had been released under the bogus reason of a heart attack by disregarding the recommendations and orders of the Judicial Medical Officer. However, the Secretary to the Ministry of Justice, being the officer in charge of the appointment of the relevant Coroner, had not been apprised in that connection, and no action whatsoever had been taken against him even by 08 July 2021.
- It is not agreed with the audit observation. The officer in charge of the appointment of the Coroner attached to the General Hospital, Matara was the Secretary to the Ministry of Justice, and his supervising officer was the Chief Magistrate of Matara.
- The Secretary to the Ministry of Justice, being the officer in charge of the appointment of the Coroner should be informed in this connection, and follow up action should be taken on the measures taken.

3.7 Losses and Damages

The following observations are made.

Observation -----	Comment of the Chief Accounting Officer -----	Recommendation -----
<p>The following observations were made on the statement of damages and omissions (Note (i)) and statement of omissions from the books (Note (ii)) prepared with respect to the operating programme and the development programme mentioned in the financial statements presented.</p>		
<p>(a) The value of losses totaled Rs. 76.29 million as at 31 December 2020. The values of Rs. 73,000 and Rs. 8.30 million had been recovered or written off from the book within the year respectively. Comparing with the total loss, those values</p>	<p>It is agreed with the audit observation. All the hospitals and institutions have been informed to take action in the future by following the Financial Regulations. The related issues will be solved in the ensuing years.</p>	<p>Prompt action should be taken on the losses and damages.</p>

represented percentages as low as 0.1 per cent and 12.23 per cent respectively. The process will be continuously supervised by the Chief Accountant (Board of Survey)

- (b) The value of losses and damages with unspecified dates relating to 25 hospitals and institutions totaled Rs. 33.36 million, of which a sum of Rs. 17.14 million had been brought forward for more than 06 years in the financial statements. In addition to that, the value of losses and damages not recovered or written off, totaled Rs. 33.52 million. - Do. - Do.
- (c) The statement of damages and omissions (Note (i)) and statement of omissions from the books (Note (ii)) had not been obtained from the Dengue Control Programme in order to prepare the financial statements for the year 2020. Those two statements had not been furnished by the office of the Director General of Health Services, General Hospital, Polonnaruwa, and the Anti-malaria Campaign. Furthermore, a certain hospital had not furnished the statement of damages and omissions (Note (i)) whilst the statement of omissions from the books (Note (ii)) had not been furnished by 05 hospitals. It is agreed with the audit observation. Accurate information should be made available. Instructions have been given that accurate information be presented. Corrective measures will be taken in the preparation of financial statements for the year 2021.
- (d) Thirty six hospitals and institutions had presented the statement of damages and omissions (Note (i)) unfiled whilst 14 hospitals and institutions had presented the It is agreed with the audit observation. Follow up action is being taken in that regard whilst action is also being taken for identifying the situation. - Do.

statement of omissions from the books (Note (ii)) unfilled. Albeit unusual, no follow up action had been taken in that connection.

- (e) The financial fraud of Rs. 6.32 million occurred at the Shroff division of the Teaching Hospital, Anuradhapura had been relevant to Financial Regulation 113 & 106, and hence that should have been mentioned in the statement of damages and omissions (Note (i)), but it had been shown in the statement of omissions from the books (Note (ii)) under Financial Regulation 109.
- It is agreed with the audit observation. Action will be taken in due course on the financial fraud of Rs. 6,321,785 that occurred at the Teaching Hospital, Anuradhapura.
- Do.

3.8 Management weaknesses

The following observations are made.

Audit Observation -----	Comment of the Chief Accounting Officer -----	Recommendation -----
(a) As per Section 7.1 of Chapter V of the Establishments Code of the Democratic Socialist Republic of Sri Lanka and Rule, No. 172 of Volume one of the Procedural Rules of the Public Service Commission, it is the responsibility of the Head of the institution to inform through registered post to an officer who had vacated his post. However, instances were observed in which delays ranging from 03 to 105 months had taken place to issue "vacation of post" letters to the Medical Officers attached to the hospitals and	It is agreed with the audit observation. Attention will be drawn on the observations pointed out in the audit query, thereby informing the relevant officers to put in place a methodology for averting such inefficiencies in due course.	Section 7.1 of Chapter V of the Establishments Code of the Democratic Socialist Republic of Sri Lanka and Rule, No. 172 of Volume one of the Procedural Rules of the Public Service Commission should be followed.

institutions of the Ministry of Health when they had failed to report for duty sans formal approval.

Furthermore, the notice for the vacation of post had been issued after 45 months since a nursing officer of the National Hospital, Kandy had vacated her post on 14 September 2016. According to her personal file, she had agreed on a mandatory service period of 48 months and pay an agreed sum along with Rs. 265,280 to be paid to the Republic in addition to the agreement signed on 12 September 2012 with the Director General of Health Services. However, once she had vacated her post, those recoveries had not been made.

- (b) It was observed that 454 units of expired chemicals and instruments had existed in the years 2019 and 2020 at 03 laboratories used for medical tests in the National Hospital, Kandy whilst the expired chemicals at the Microbiology laboratory were still being used for tests.

It is not agreed with the audit observation.

It is the norm to place orders to the Medical Supplies Division for the ensuing years once the chemicals used in the preceding years are observed. Accordingly, the amounts used in the year 2019 was taken into consideration, and the Medical Supplies Division was requested at the end of the year 2019 for chemicals to be used in the year 2020. However, due to considerable decline in the number of patients owing to the spread of Covid-19 in the year 2020, the number of laboratory tests conducted during March-May, 2020 had also declined. As such, the chemicals requested in the year 2019 for the year 2020 had saved.

Attention should be brought on the suitability of using expired chemicals on tests.

- (c) Due to lack of capacity of the machine used by the Teaching Hospital, Anuradhapura for burning clinical waste, the clinical waste generated by the hospital had remained dumped at the sewage ground since the year 2020. It was revealed that the said waste flowed into Malwathu Oya during rainy seasons. Despite being recommended by the Central Environmental Authority that a report on the quality of emissions from the burning process should be obtained from a laboratory registered with the Central Environmental Authority due to the problems in the sewage system and a methodology should be prepared and put in place for ensuring the disposal of bottom ash in an environmentally-friendly manner, it had not been so done. The Environmental Protection License had not been obtained even by 31 March 2021.
- It is agreed with the audit observation. Director of the Central Environmental Authority has been informed to test the quality of emissions from the burning process of the sewage system. Assistance of the Industrial Technology Institute has also been obtained to examine the gas. Due to lack of a methodology for disposal of the ash generated in the burning process, those ashes were used to reclaim the lower grounds of the sewage system. A methodology is being prepared for disposal of ash. Seven prerequisites should be fulfilled for obtaining the Environmental Protection License. Measures taken in that connection, have been informed to the Central Environmental Authority.
- Action should be taken to obtain the Environmental Protection License.
- (d) In case an apprentice enrolling for nursing training, decides to resign before 10 years or of changes made to the letter of appointment, the expenses incurred by the Government on the apprentice along with the sum of Rs. 100,000 or a compensation of Rs. 200,000 should be recovered as per the agreement. However, the Hospital had not taken action to recover the said expenses and compensation from 03 nursing apprentices attached to the National Hospital, Colombo who had vacated their posts in the year 2019 prior to the completion of 10 year mandatory service period. Moreover, salaries totaling Rs. 252,562 overpaid to 09 officers who had vacated their posts in the year 2019, were not recovered.
- It is agreed with the audit observation.
- The compensations and overpaid salaries should be promptly recovered from all the officers who vacate the service after the training.

- (e) Fees totaling Rs. 2,335,736 receivable with respect to 62 instances of blood being issued to 25 private hospitals by the National Blood Center during the period from 01 September 2016 to 31 July 2020 along with tests conducted on blood components, had remained unrecovered over periods ranging from 02 months to 04 years.
- It is not agreed with the audit observation. A sum of Rs. 4,545,648 has so far been recovered with respect to providing blood and blood components for the private hospitals and conducting tests in that connection whereas a sum of Rs. 2,689,886 remains further recoverable. The relevant private hospitals have been informed thereon, and some of such private hospitals have been closed down. Action will be taken more cautiously with the said hospitals in due course thus taking action to recover the fees. The methodology used for registering private hospitals in order to issue blood and blood components has been updated. Action has been taken so that all the private hospitals obtaining blood will be supervised by the National Blood Transfusion Service.
- A proper methodology should be implemented for the recovery of fees when such services are provided for the private hospitals.
- (f) According to Regulation, No. 15 in Part II of the National Environmental (Protection and Quality) Regulations No. 01 of 2008 published on the Gazette Extraordinary, No. 1534/18 dated 01 February 2008 by the Minister of Environment and Natural Resources under Section 32 of the National Environmental Act, No. 47 of 1980 read with Sections 23(a) and 23(b) of the said Act, the legal requirement of obtaining a Scheduled Waste License – SWL, should be fulfilled to dispose clinical waste - a category of hazardous waste specified in Schedule VIII. However, such a license had not been obtained for the
- It is agreed with the audit observation. For the year ended as at 28 October 2019, an Environmental Protection License had been obtained with respect to the burner installed at the hospital. The burner had become non-functional due to technical issues in July 2019. The Central Environmental Authority had informed during that period that certain adjustments should be made to the burner.
- Action should be taken to obtain the Environmental Protection License.

management of waste generated by the Teaching Hospital, Kurunegala. Furthermore, an Environmental Protection License – EPL had not been obtained for the burner used by the said hospital do dispose of the waste in terms of Subsection 63 of Part (a) of the Notice published in the Gazette Extraordinary, No. 1533/16 dated 25 January 2008.

- (g) The process of taking over the ownership of 115 vehicles the installments of which had been paid in full after being purchased on lease basis in the years 2011 and 2012, had not been concluded even by 31 May 2021.
- It is agreed with the audit observation. As the installments pertaining to the financial lease agreement under which vehicles had been obtained in the years 2011 and 2012 had been paid in full, the relevant branches of Bank of Ceylon have been informed in writing for taking over the ownership. However, there exists a delay in providing the documents relating to the takeover of those vehicles. Further delays would occur due to limited number of employees reporting for duty in the wake of the Covid-19. Nevertheless, the relevant officers have been informed to personally look into this matter.
- Action should be taken promptly for taking over the ownership of those vehicles.
- (h) A sum of Rs. 409,186 receivable with respect to the blood issued by the District General Hospital, Matara to private hospitals during the period from 01 November 2020 to 31 January 2021, had not been recovered even by the date of audit on 31 March 2021.
- It is agreed with the audit observation. The Blood Bank had sent reports on the monies recoverable in regard of the blood issued to private hospitals up to October 2020. Although monies had been recovered up to then, no reports on recoveries for the blood issued after October 2020, have been sent.
- A proper methodology should be established for the recovery of monies when such services are provided for the private hospitals.

- (i) The useful life of 25 items of chemicals costing Rs. 370,712 stored in the refrigerators of the District General Hospital, Matara had expired as at 05 March 2021, but those chemicals had been in use for laboratory tests, thus observing that the relevant laboratory reports would be erroneous.
- It is not agreed with the audit observation. Those expired Antibiotic Discs are used on the training purposes of the Trainee medical laboratory technologist attached to this hospital. Some of the Antibiotic Discs are used for the identification of micro organisms but not used in treating patients. Quality tests conducted weekly ensure that all the Antibiotic Discs function properly. Functionality of expired Antibiotic Discs is verified through testing. Sometimes, the Antibiotic Discs supplied by the Medical Supplies Division are not adequate for the requirements, and in such instances, the relevant tests are conducted by using the Antibiotic Discs the functionality of which has been verified by the quality tests.
- Attention should be brought on the suitability of expired chemicals being used for tests.
- (j) Departure and arrival of all the officers should have been recorded by using finger scanners in terms of Public Administration Circular, No. 03/2017, dated 19 April 2017. The Letter, No. DMS/0016 of the Secretary of the Treasury dated 12 May 2017 and addressed to the Secretary to the Ministry of Health, stated that no overtime payments should be made based on the present salary had finger scanners not been installed with effect from 01 July 2017 in order to verify the arrival and departure of health staff. However, 213 finger scanners installed by spending a sum of Rs. 31.08 million by the Ministry at the locations of the
- It is agreed with the audit observation. The Ministry has taken all the action by informing the divisional heads that using finger scanners to record departure and arrival has been made mandatory with effect from 01 September 2017. But, it could not be done so due to protests of the trade unions.
- Records on arrival and departure of officers should be maintained in terms of provisions of Circulars, and an internal system of control should be maintained to make additional payments accordingly.

Ministry itself, and hospitals and other institutions functioning thereunder, had not been made use of. Nevertheless, based on the present salary, sums of Rs. 34,868.54 million and Rs. 27,703.08 million had been paid as salaries, and allowances for overtime and holidays respectively thus making a payment totaling Rs. 62,571.62 million during the year under review. Furthermore, the total amount spent on holiday and overtime payments represented 79 per cent of the cost on salaries.

(k) The following observations are made on the Radiology Unit of the General Hospital, Matara.

(i) The monthly duty roster of the Radiology Unit had been changed constantly. Payments had been made in such instances without obtaining approval for the revised roster.

It is not agreed with the audit observation.

Prior to the spread of Covid-19, approval of the Director of Hospital had been obtained for the monthly roster before the commencement of the month. However, owing to the pandemic, duties are not performed in accordance with a general roster. Approval of the Director of Hospital will be obtained as done before once the duties are performed normally after the end of the pandemic. Services are provided daily for a large number of patients by the hospital. As there are patients to whom priority should be given for radiology tests considering the risks for their lives, maintaining records is impractical. Patients pertaining to clinics and wards visit the hospital during the normal

In case of changes being made to the roster, action should be taken to obtain approval on the revised duty roster.

working hours, as such, only a few types of radiology tests are conducted. Many of the tests conducted during the on-call period belong to patients with emergencies. A higher number of radiology tests being requested belong to patients met with accidents. In many of such instances, 25-30 radiology tests are conducted per patient. The number of tests conducted on the patients forwarded to the Judicial Medical Officer is even higher. As such, an increase in the average number of services provided per patient during the on-call period in which a large number of tests are conducted on patients with emergencies, is observed.

(ii) The time of sending patients to this unit from the wards or clinics, the time at which those patients arrive at the Radiology Unit, and the time of departure of the patients once the service is obtained, had not been recorded. As such, the number of services provided separately during the normal duty hours and the on-call period could not be accurately identified. Hence, the accuracy of on-call allowances and overtime allowances paid of the Radiologists could not be verified.

- Do.

The necessary data should be maintained clearly and accurately.

(iii) As compared with the normal duty hours of the Radiologists, the number of patients treated, the number of radiology services provided, and the average number of radiology

- Do.

A comprehensive inquiry should be conducted in this regard, and the overpayments should be recovered from the parties responsible.

tests performed per patient, were as unusually as high as 23 per cent, 65 per cent, and 35 per cent respectively during the on-call period. No justifiable reasons were presented in that connection.

- (iv) An unusual increase in the number of CT scans done by the Radiologists during the 02 hour on-call period from 12 noon 14.00, was observed. An unusually lesser time of 03-05 minutes had been spent per test during that period as well. As such, the accuracy of the allowances obtained could not be verified.

- Do.

- Do.

- (1) Having disregarded the miscellaneous Circular provisions and the Establishments Code relating to the duty hours, additional duty hours, duties performed on holidays and making payments to the Government officers in that connection, the general Circular, No. 02/19/2009, dated 27 March 2009 had been issued without being approved by the Cabinet. After following this Circular over a period of 02 years without a proper approval, a Cabinet Memorandum had been presented by the Minister of Health on 05 April 2011 with a view to obtaining a covering approval for that Circular. Approval of the Cabinet had been given on 14 September 2011 that the Circular be put in place subject to the following amendments after being forwarded to the Director General of Management Services, Director General of the Institution, and the Public Service Commission.

The then Secretary to the Ministry of Health and Nutrition had issued the general Circular, No. 02/19/2009 on 27 March 2009 in accordance with the recommendations given through the Letter, No. NSCC/3/4 of the National Salaries and Cadre Commission dated 13 August 2008. Decision of the Cabinet had been given on 14 September 2011 for the Cabinet Memorandum dated 05 April 2011. Covering approval of the Cabinet had been given for the general Circular, No. 02/19/2009. Accordingly, having included the amendments made through that decision, the general Circular, No. 02/19/2009(1) had been issued on 02 January 2012, but the then Secretary to the Ministry of Health had taken action to suspend that Circular

Approval of the relevant officers should be obtained prior to issuing Circulars relating to miscellaneous payments. The approvals granted by the authorities should be implemented promptly. Action should be taken to formalize this informal nature. The payments made illegally should be recovered from the parties responsible.

- (i) Each institution of the health sector should certify that the relevant category of Nursing Officers have performed their duties within the duty hours assigned to them. due to protests of the Nursing Officers' Association. Requests had been made by the Nursing Officers' Associations that Section 4(x) be removed thus allowing the Nursing Officers to receive additional allowances in accordance with the Duty rooster. A special committee has been appointed to look into that request, and obtain recommendations to avert deficiencies in the Circular, No. 02/19/2009.
- (ii) Those institutions should maintain records on the duties performed by each Nursing Officer during the normal duty hours and additional duty hours.
- (iii) As for requesting for payments on the additional duty hours pertaining to each Nursing Officer and computation of such payments, the Format annexed to the Report, No. NSCC/4/13/CM of the National Salaries and Cadre Commission, dated 11 July 2011 should be introduced with effect from 01 November 2011.
- (iv) Overtime payments should be made to the Nursing Officers with effect from that date by following the guidelines stated in the report of the National Salaries and Cadre Commission.
- (v) Subsection 04(vi) of the general Circular, No. 02/19/2009 issued by the Secretary to the Ministry of Health and Nutrition on 27 March 2009 should be amended so that the duties performed by a Nursing Officer on a public holiday should be limited only to make holiday pay whilst the Subsection 04(x) thereof should be in force without any amendment.

Following the said Cabinet approval, the general Circular, No. 02/19/2009(1) had been issued by the Secretary to the Ministry of Health on 02 January 2012, but that Circular had been temporarily suspended through the Letter, No. 01(11)/16/20 issued by the Secretary to the Ministry of Health on 13 January 2012.

Accordingly, additional allowances had been paid to the nursing staffs without a proper approval over a period of 12 years from 01 April 2009 to 15 August 2021. It had been made possible to make payments informally and illegally.

4. Achievement of Sustainable Development Goals

The following observations are made.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
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<p>Considering the relevance of Sustainable Development Goals to the health sector in Sri Lanka, the Ministry of Health had selected 46 health indicators with respect to activities on Sustainable Development Goals in view of achieving specific objectives by the year 2030. Thirty eight of those indicators were linked to health sector whereas 08 indicators had no relevance to the health sector. Although 06 new indicators relating to sustainable development targets had been introduced by the Ministry of Health during the</p>	<p>It is not agreed with the audit observation. The National Sustainable Development Council has assigned responsibilities of several new indicators in the year 2020. Each institution has been informed on the responsibilities of those indicators. It was scheduled to reach a final decision on those affairs at the meeting of the, National advisory governing body meeting but that meeting had been postponed due to spread of Covid-19.</p>	<p>Action should be taken to prepare and implement the plans to ensure the achievement of Sustainable Development Goals by the year 2030 and maintain the expected progress.</p>

year under review, the targets, sources of data and activities in that connection could not be determined even up to the date of audit on 31 March 2021.

5. Good Governance

5.1 Rendering of Services to the Public

The following observations are made.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
----- As for the affairs relating to the information requested by citizens in terms of the Right to Information Act, No. 12 of 2016, seventy three officers comprising one for appeals and 72 information officers representing respective divisions of the Ministry inclusive of the hospitals and institutions under the purview of the Ministry of Health had been appointed. Information relating to the requests received by those 73 officers during the year under review, was not furnished to the Audit by 13 officers. According to the information furnished by the rest of 59 officers, the total number of applications submitted by the public during the year under review was 299, and 18 of them had not been replied.	----- It is not agreed with the audit observation.	----- Provisions of the Act should be followed.

5.2 Audit and Management Committee

The following observations are made.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
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According to the provisions set out in the Management Audit Circular Nos. DMA/2009(1) dated 09 June 2009, DMA/2009(1)(i) dated 28 January 2016, and DMA/1-2019 dated 12 January 2019, four meetings of the Audit and Management Committee should be held annually one each for a quarter. However, only one such meeting had been held in the year under review.	It is agreed with the audit observation. Four meetings of the Audit and Management Committee should be held per year at one meeting for a quarter in terms of Management Audit Circular. However, following the spread of Covid-19, curfew was imposed islandwide from 20 March 2020 to 04 May 2020 continuously, and curfew was imposed intermittently again with gathering of persons being banned by the Government. As such, only one meeting of the Audit and Management Committee could be held during the year 2020.	Provisions of the Circular should be followed.

6. Human Resource Management

The following observations are made.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
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(a) A number of 2,454 vacancies existed in 33 posts with 49 excess employees in 03 posts of the senior executive level. As for the tertiary level, 446 vacancies existed in 67 posts and there were 02 excess employees in one post. A number of 6,010 vacancies and 134 excess employees existed in 78 and 14 posts respectively in the secondary level. Forty five posts had 8,899 vacancies with 3,371 excess employees in 06 posts of the primary level. Those vacancies included	It is agreed with the audit observation.	Officers and employees should be attached without exceeding the cadre approved for the respective hospitals and institutions.

the posts exclusive to the health sector, such as, 2,268 Medical Officers, 44 Dental Surgeons, 2,668 Male Nurses, 626 Sisters, 129 Pharmacists, 249 Radiologists, 526 Family Health Service Officers, and 150 Electro cardiographers recordist. Furthermore, 663 employees had been recruited on casual basis to the post of Saukyaya Karyaya Sahayaka without following the Scheme of Recruitment for the non-skill posts of the primary level.

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| <p>(b) The observations made while examining the personal files of 10 of the 45 Electro Medical Technician attached to the Bio Medical Engineering Services Division included : nine officers had been absorbed into the relevant salary scales contrary to the new Scheme of Recruitment prepared in terms of provisions mentioned in the Public Administration Circular, No. 06/2006 dated 25 April 2006 and the Circulars issues thereafter, conversion of salaries had been made, and salaries that they had not been entitled to had been overpaid with overtime and other allowances along with holiday pay thereon over extensive periods. The Chief Accounting Officer had been requested on 29 July 2020 that the sums overpaid be recovered from the relevant payees or the parties responsible, and an internal audit be conducted with respect to the recruitment, absorption and salary conversions of all the other officers thereby presenting a report. However, the request had not been responded even up to 22 April 2021.</p> | <p>It is agreed with the audit observation.</p> | <p>An inquiry should be held in that connection, and the overpaid salaries should be recovered from the relevant officers or the parties responsible.</p> |
| <p>(c) The Public Service Commission had given approval on 20 December 2013 for the new Scheme of Recruitment in line with the new service minute approved for the post of Bio Medical Engineer, an</p> | <p>It is agreed with the audit observation.</p> | <p>Should be inquired in this regard, and proper action should be taken.</p> |

executive post in the Bio Medical Engineering Service. The following observations are made in this connection.

- (i) The dissatisfactory service period of an officer recruited to the post of Assistant Bio Medical Engineer (electric) on 02 December 1998 had been considered satisfactory, and he had been absorbed into Grade II on 20 December 2013. That officer had not earned the post graduate qualifications required to be promoted to Grade I, but his degree in science was considered to be equal to the post graduate qualification in the relevant field and the Public Service Commission was recommended to promote him to Grade I with effect from 11 December 2016.

- (ii) An officer recruited to the post of Assistant Bio Medical Engineer (Electric) on 16 May 1997 whose salaries had been deferred for 07 years, and who had presented incomplete performance reports for 12 preceding years, had been absorbed into Grade II with effect from 20 December 2013 having considered that he had completed a satisfactory service period of 10 years; and, considering the period of service be satisfactory based on incomplete performance reports of another officer who had been recruited to the post of Assistant Bio Medical Engineer (Electric) on 07 December 1998, that officer too had been absorbed into Grade II from 20 December 2013.

(iii) As the Public Service Commission had been recommended to promote 02 officers who had not been qualified on performance in terms of Paragraph 10.1.1.1(iii) of the Scheme of Recruitment, from Grade III to Grade II, those two officers had been promoted to Grade II.

(d) The post of Deputy Director General (Bio Medical Engineering) remained vacant since 19 September 2016. An officer had been appointed to that post on acting basis without taking action to appoint an officer permanently. Even though an interview had been conducted on 21 July 2020 to recruit an officer to that post, files containing information in that connection were not made available to the Audit. As such, how marks had been given in that interview could not be examined.

(e) According to the disciplinary order issued on 01 November 2007 in terms of Paragraph 5.3 of Chapter VI of the Establishments Code, the personal file of the Public Health Management Assistant Officer attached to the General Hospital, Hambantota who had been convicted of 02 of the 05 charges, had not contained a copy of the charge sheet. Through that disciplinary order, that officer had been transferred with immediate effect to the Teaching Hospital, Batticaloa for a mandatory period of 05 years, but it was not verified that he had reported for duty at the said hospital. Furthermore, the appeal made to the Public Service Commission relating to the disciplinary order had been rejected, but the officer had been transferred to the General Hospital, Hambantota within one year. However, it was not verified that there

It is agreed with the audit observation.

The said file had been forwarded for further action to the appointing authority being the Health Services Committee of the Public Service Commission.

It is agreed with the audit observation.

A permanent officer should be appointed to this post without delay.

A fully independent inquiry should be conducted in this regard, and necessary action should be taken against the parties responsible.

existed justifiable reasons for that transfer. Once that officer had been entrusted with the custody of the personal files of the hospital staff, his personal file, sent through registered post by the Teaching Hospital, Batticaloa to the General Hospital, Hambantota on 09 November 2009 had become misplaced. However, it was not verified as to whether an inquiry had been held or disciplinary action had been taken in that connection.

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| (f) | One post of the special grade of the Sri Lanka Planning Service had been approved for the Ministry of Health on 07 November 2017, but an officer had not been attached to that post even up to 22 April 2021. | It is agreed with the audit observation. | Action should be taken to attach an officer to that post. |
| (g) | Contrary to Paragraph 10.1 of Chapter VII of the Establishments Code, salary increment had been paid for 05 Public Health Management Assistant Officers by the Ministry of Health despite the incomplete performance reports pertaining to 20 periods considered for salary increment. | It is agreed with the audit observation. Action is being taken to correct the deficiencies of their performance reports. Once corrected expeditiously, the personal files will be updated. | Annual salary increment should not be approved based on incomplete performance reports. |