

**Head 416 - State Ministry of Indigenous Medicine Promotion, Rural and Ayurveda Hospitals
Development and Community Health**

1 Financial Statements

1.1 Opinion

The audit of the financial statement of the State Ministry of Indigenous Medicine Promotion, Rural and Ayurveda Hospitals Development and Community Health for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial performance and cash flow statement for the year then ended, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No. 19 of 2018. The summary report including my comments and observations on the financial statements of the State Ministry of Indigenous Medicine Promotion, Rural and Ayurvedic Hospitals Development and Community Health was issued to the Accounting Officer on 05 August 2021 in terms of Section 11 (1) of the National Audit Act, No. 19 of 2018. Detailed Annual Management Audit Report relating to the State Ministry in terms of Section 11 (2) of the Audit Act, was issued to the Accounting Officer on 27 October 2021. This report will be tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution to be read in conjunction with Section 10 of the National Audit Act, No. 19 of 2018.

In my opinion, the financial statements give a true and fair view of the financial position of the State Ministry of Indigenous Medicine Promotion, Rural and Ayurvedic Hospitals Development and Community Health as at 31 December 2020 and of its financial performance and its cash flows for the year then ended in accordance with generally accepted Accounting Standards.

1.2 Basis for Opinion

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 qualified opinion.

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

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

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

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional 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 Department'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 Accounting Officer regarding, significant audit findings, any significant deficiencies in internal control and other matters that I identify during my audit.

1.5 Report on Other Legal and Regulatory Requirements

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

Since this Ministry was established in 2020, there was no need to issue financial statements for The preceding year.

2. Financial Review

2.1 Expenditure Management

The following observations have confirmed that the estimates prepared for the State Ministry were not correct and realistic as per the provisions mentioned in the Financial Regulations 50.

Audit Observation	Comments of the Accounting Officer	Recommendation
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(a) Total provision amounting to Rs.250,000 made for two recurrent expenditure Objects had been saved.	That the expenditure amounting to Rs.38,999,218 spent through 18 Objects which was under the expenditure head until 31 August 2020, with the concurrence of the two ministries, was accounted through Transfer Sheet as expenditure of the new State Ministry	Correct and realistic estimates should be prepared by taking into consideration the activities mentioned in the annual action plan prepared in accordance with mission and the vision of the institution.
(b) Due to the insufficiency of provisions, the provision amounting to Rs.8,650,000 made for 4 recurrent Objects had been increased to Rs. 10,927,850 while the provision Rs.500,000 made for one capital Objects had been increased to Rs.900,000 through Financial Regulation 66 Transfers.	That the provisions were transferred as per Financial Regulation 66. and the reasons for such transfers are given.	-Do-
(c) Rs.4,438,112 or 55 per cent out of the provision amounting to Rs.8,100,000 made for 04 capital Objects had been saved since such provision was not spent for the intended purpose and the saving percentage of each Object was ranging between 26 per cent to 98 per	That the reasons for saving provisions are given.	-Do-

cent. Rs.3,250,095 or 34 per cent out of the provision amounting to Rs. 9,450,000 made for 06 recurrent Objects had been saved since such provision was not spent for the intended purpose and the saving percentage of each Object was ranging between 29 per cent to 62 per cent.

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| (d) | The provision for Salaries and wages of the Minister's office was Rs.4,700,000 while the provision made for Overtime and Holiday pay was Rs.3,875,000 representing 82 per cent of the provision made for salaries and wages. | That the provisions have been made in a such way that it is possible to cover the expenditure incurred by the Ministry of Health up to 31 August 2020 and such provisions have been made for other Objects including salaries and wages and Over time and Holiday pay | -Do - |
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2.2 Incurring of Liabilities and Commitments

----- Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
Violating the provisions mentioned in Financial Regulation 94 (1), liabilities of Rs.2,837,253 had been incurred exceeding the savings of Rs.136,153 in 05 capital and recurrent Objects and liabilities of Rs.84,992 had been incurred for 02 Objects to the 31 December 2020 for which provisions had not been made for 2020	That the provisions made for 2020 by vote on account was not sufficient for settling the liabilities.	Action should be taken as per Financial Regulations.

2.3 Advance Account Balances

----- Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
Actions had not been taken even at the end of the year under review, to recover Rs. 288,618 due from one officer who had left on transfer 5 years ago and Rs. 297,095 due from one officer who had vacated the post around 1 to 2 years ago.	Evanthough the amount Rs. 288,618 had been recovered, that the balance remains due to non settlement of accounts by the institution to which the officer had gone on transfer.	Loan balances should be recovered in the instances of transfers and termination of service.

2.4 Non compliance with Laws, Rules and Regulations

The following are the instances of non-compliance with laws, rules and regulations observed at the audit test check

Reference to Laws ,Rules and Regulations	Non-compliance	Comments of the Accounting Officer	Recommendation
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(a) Financial Regulation of the Democratic Socialist Republic Of Sri Lanka			
(i) Financial Regulation 891(1)	The Security Register wherein contains information of officers who should give security, had not been kept updated as per the Financial Regulations.	That the steps are being taken to update the Government Officers Security Register.	The Security Register should be kept updated in such a way that includes information mentioned in Financial Regulation 891(1).
(ii) Financial Regulation 110	Record of losses and damages had not been prepared as per the specimen mentioned in the Financial Regulation and the prepared record of losses and damages had not been kept updated.	That the steps are being taken to update the record of losses and damages.	Record of losses and damages should be maintained as per the specimen mentioned in Financial Regulation 110.
(iii) Financial Regulation 1646	The officers in charge of vehicles had not submitted daily running charts of each month to the Auditor General together with original copy of the monthly summeries of travels before 15 of the next month the month that follows the month in respect of which the report is submitted.	That the monthly summeries of travels are being checked by now and it has been planned to submit the reports on the sheduled day in every month in future.	Action shouldd be taken as per financial regulations..
(b) Chapter 3.1 of the Public Administration Circular No 30/2016 dated 29 December	No checks had been carried out on the amount of fuel consumed by the vehicles of the State Ministry.	Action will be taken to carry out in 2021.	Fuel consumption should be checked as per circulars.

2.5 Certification of the Chief Accounting Officer

Observation	Comments of the Chief Accounting Officer	Recommendation
The Chief Accounting Officer and Accounting Officer should certify to the effect that an effective internal control system is prepared and maintained for the financial control of the State Ministry and periodical reviews should be undertaken to evaluate the effectiveness of the system and make necessary changes in order to maintain the systems effectively, and although such reviews should be done in writing and copy of it sent to the Auditor General, no statements to the effect that such a review was undertaken had been submitted for the audit	That, In accordance with the provisions of the chapter 38 of Audit Act No 19 of 2018, periodic reviews will be done on the internal control system of the financial control of the Ministry to make necessary changes to the system to effectively maintain it.	Action should be taken as per the provisions of the section 38 of the National Audit Act No 19 of 2018.

3. Good Governance

3.1 Internal Audit

Audit Observation	Comments of the Accounting Officer	Recommendation
As per the section 40 of the National Audit Act No 19 of 2018, no internal Auditor had been appointed for the State Ministry.	No comments had been made.	Action should be taken as per the National Audit Act No 19 of 2018.

3.2 Assets Management

Audit Observation	Comments of the Accounting Officer	Recommendation
The cost of vehicles in the vehicle register submitted for the audit had not been mentioned and the cost of 48 motorcycles, 06 vehicles used by the ministerial staff. and a vehicle set aside for disposal which had been included in that list had not been	That a register of assets including the costs of vehicles is being prepared. That the 48 motorcycles have been bought for the <i>Osu Govi</i> project and although Registration certificates of motorcycles have been sent to the Ministry with the preparation to liquidate the <i>Osu Govi</i>	Cost of all vehicles of the State Ministry should be accounted.

revealed. Further, physical existence of non financial assets of which the cost amounting to Rs.214,314,951 had not been verified.

Private Limited, action will be taken to estimate the assets by a committee to be appointed in future since no details have been submitted of asset values. and that the ownership of vehicles assigned to ministerial staff has not been transferred to this State Ministry and that the van set aside for disposal is one given for temporary use and action is being taken to acquire the ownership of that vehicle.

4. Humen Resource Management

----- Audit Observation -----	Comments of the Accounting Officer -----	Recommendation -----
<p>Although the approved cadre of the State Ministry to the 31 December 2020 is 403, the actual cadre stood at 289 to the said date and number of vacancies should be 114 which are equal to 28 per cent of the approved cadre. There exists 27 per cent vacancies at senior level, 25 per cent vacancies at tertiary level and 29 per cent vacancies at secondary level and 17 per cent vacancies at primary level. It was observed that the existence of vacancies for 4 senior level positions and 106 secondary level positions may hamper the Ministry's effort of achieving their performance targets.</p>	<p>That the Ministry of Public Services, provincial Councils and Local Government has been informed of the existence of these vacancies and that steps are being taken by that Ministry to attach officers to vacant posts that exist at the secondary level of the Development Officers Service.</p>	<p>Vacancies should be filled properly as required.</p>