

Homeopathy Medical Council - 2014

The audit of financial statements of the Homeopathy Medical Council for the year ended 31 December 2014 comprising the statement of financial position as at 31 December 2014 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, 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 Section 13(1) of the Finance Act, No. 38 of 1971 . My comments and observations which I consider should be published with the Annual Report of the Board in terms of Section 14(2)(c) of the Finance Act appear in this report.

1.2 Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

1.3 Auditor’s Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000- 1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the Board’s preparation and fair presentation of the financial statements 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 Board’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and the extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2 Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Homeopathy Medical Council as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Accounting Policies

A policy on amortization had not been identified whereas the assets purchased from the Government Capital Grants had been depreciated. The net value of the assets purchased from the Capital Grants of Rs. 1,572,047 at the end of the year under review amounted to Rs.1,494,531 .

2.2.2 Accounting Deficiencies

Instead of accounting the cost of medical equipment amounting to Rs.34,000 under the fixed assets, it had been brought to accounts under recurrent expenditure and as such the deficit and the plant and equipment had been overstated and under stated respectively by that amount.

2.3 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances were observed.

Reference to Laws, Rules, Regulations, etc.	Non-compliance
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(a) Section 14 of the Finance Act, No.38 of 1971	A Drafted Annual Report had not been prepared.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 395(d)	Even though a Bank Reconciliation of the transactions at the end of each month should be prepared before the fifteenth day of the month following, it had not been so done.
(i)	
(ii) Financial Regulation 756	A Board of Survey for the year under review had not been conducted.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operating results of the activities of the Council during the year under review amounted to a deficit of Rs.170,636 as compared with the corresponding deficit of Rs.111,977 for the preceding year, thus indicating a further deterioration of the financial results by a sum of Rs.58,659, as compared with the preceding year.

3.2 Legal actions against the Council

A case had been filed in the Courts clamming compensation of Rs.3,000,000 by an officer employed in the Medical Council who was dismissal from service and 06 cases had been filed by the Council relevant to various activities.

4. Operating review

4.1 Performance

The following observations are made

- (a) It had not been possible to achieve the following objectives in the year under review as well stated in Section 22 of the Homeopathy Act, No. 7 of 1970.
 - (i) Encouragement of researches and studies for the Homeopathy Medical System.
 - (ii) Formulation of regulations for the production, import, sale and distribution of Homeopathy drugs.
- (b) Out of 07 Homeopathy clinics operated in 07 areas in the Island, the patients' participation had decreased by 31 per cent to 1.5 per cent. Replies given by the Chairman of the Interim Board stated that the reason for this condition was the protest made by the doctors against the decision of the termination of service of the doctors who had been recruited on contract basis since 31 December 2014 .

4.2 Management Inefficiencies

The following observations are made.

- (a) A case had been filed in the Supreme Court by 212 doctors who had been published in the Gazette as Homeopathy temporary doctors asking to register them in the general register by conducting an examination in terms of Section 27(5) of Homeopathy Act. A sum of Rs.155,680 as the newspaper advertisement fees for the written examination published in terms of Court decision and the expenditure of Rs.684,017 had been incurred for the conducting the examination. The following observations are made in this connection.

- (i) According to the paper advertisement ,only 38 doctors had applied for the examination out of 212 doctors and only 19 had passed the examination.
 - (ii) Accordingly, it was disputed in audit whether the opportunity to apply the examination had been lost for the doctors as they had not been informed through their personal addresses.
- (b) The following activities decided by the Interim Committee had not been carried out even by 31 December in the year under review.
- (i) The decision taken for the formulation of a set of General Orders for seven Medical Clinics at the meeting of the Interim Committee held on 05 January 2012 .
 - (ii) The decision taken to obtain the approval of the posts for 14 clinics, and to gazette the rules and requirements on Homeopathy Education Institute at the meeting held on 29 August 2013.
 - (iii) The decision taken to formulate adequate laws and regulations for further expansion of the Homeopathy Orders of 1981 in respect of production , import and distribution of Homeopathy drugs at the meeting held on 08 January 2014.

4.3 **Idle Assets**

Fixed assets valued at Rs.1,199,254 purchased in the year 2009 for the Homeopathy Medical College and relevant buildings and fixed assets valued at Rs.173,506 purchased for the clinics during the year under review had been lying idle in the Council even by 20 July 2015.

4.4 **Personnel Administration**

A deficiency of a post of Management Assistant had been existed as the approved cadre of the Council was 19 whereas the actual cadre was 18 as at 31 December in the year under review.

5. **Accountability and Good Governance**

5.1 **Presentation of Financial Statements**

The Homeopathy Medical Council had functioned in the year under review under the Interim Committee as well and all the expenditure of the Council had been incurred by the Ministry of Indigenous Medicine under its Head. As such, the financial statements had been prepared by considering a sum equivalent to all expenditure incurred by the Ministry as a provision given to the Medical Council.

5.2 **Action Plan**

The progress on the achievement of the objectives of the Action Plan as at 31 December 2014 was as follows.

- (a) Even though it was planned to follow the strategies given below to provide proper recognition to the Homeopathy Medical System, the progress of those is as follows.
 - (i) Even though the conduct of 21 mobile clinics for the buildup of the public confidence through providing treatments had been planned, only 12 clinics had been conducted.
 - (ii) Even though it was proposed to conduct 03 school programmes and 03 discussions and seminars with a view to promoting confidence in the adults and children on the Medical System, only one school programme had been conducted whereas discussions and seminars had not been conducted.
 - (iii) Even though it was planned to conduct seminars with a view to providing basic introduction on Homeopathy Medical system for the awareness of the officers in the Ministry and all institutions, no any such seminar had been conducted.
 - (iv) Even though it was planned to organize 05 Rupavahini and Radio discussions with a view to providing propaganda on Homeopathy Medical system through media and launching a Web Home Page , no any such task had been carried out.
 - (v) Even though it was planned to organize 02 workshops on appreciation of the service and experiences of the Homeopathy doctors to improve the friendship among the doctors ,only one programme had been conducted.
- (b) Even though it was planned as at December in the year under review for the publication in the Gazette by appointing a committee for the formulation of regulations on the administrative procedure of the Council , approving the Committee Draft, and preparing the final draft and adopting the regulations by the Minister for introducing a recognized specific administrative procedure for the Homeopathy Council. However, action had not been taken to implement it even as at 20 July 2015,the date of audit.
- (c) Even though the setting up of the Homeopathy Public Health Service had been planned, it had also not been done.
- (d) Even though the formulation of by-laws, recognition and the establishment of the Homeopathy Medical College had been planned for producing Homeopathy Medical Practitioners and Supplementary Physicians and improvement of their knowledge and skills, that objective had also not been achieved.
- (e) Even though the formulation of by-laws for ensuing the market availability for Homeopathy drugs and products and for buildup of funds for the establishment of Homeopathy Medical Stores and Pharmacies should be done within the year under review, those activities had not been carried out.

- (f) Even though it had been planned to import and distribute of stock of drugs by the month of July, action had not been taken accordingly.

5.3 Budgetary Control

As significant variances were observed ranging from 74 per cent to 100 per cent when comparing budget expenditure with actual expenditure, the budget had not been made use of as an effective instrument of management control.

5.4 Action not taken on the Directives of the Committee on Public Enterprises

According to the Minutes of the meeting of the Committee on Public Enterprises held on 15 September 2010, the Committee had directed that the regulations of the Medical Council should be updated to be in keeping with the present situation. But those regulations had not been updated even by 31 December of the year under review as the Medical Council had not been appointed, at present.

6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman from time to time. Special attention is needed in respect of the following areas of control.

- (a) Annual Registration Fees
- (b) Bank Reconciliations