

## **Homeopathy Medical Council - 2015**

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The audit of financial statements of the Homeopathy Medical Council for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 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 Council in terms of Section 14(2) (c) of the Finance Act appear in this report.

### **1.2 Management's Responsibility for the Financial Statements**

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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**

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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 judgment, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of 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 Council'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 the Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and 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.

## 2. Financial Statements

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### 2.1 Opinion

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In my opinion, the financial statements give a true and fair view of the financial position of the Homeopathy Medical Council as at 31 December 2015 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

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#### 2.2.1 Accounting Deficiencies

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The following observations are made.

- (a) Five medical equipment costing Rs.42,475 purchased in the year under review had been brought to account as recurrent expenditure instead of being capitalized.
- (b) Provision for gratuity had not been made for the permanent staff of 18 deployed in the service of the Homeopathy Medical Council.

#### 2.2.2 Non-compliance with Laws, Rules, Regulations and Management Decisions

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The following non-compliances were observed.

<b>Reference to Laws, Rules, Regulations, etc.</b>	<b>Non-compliances</b>
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Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
(i) Financial Regulation 395	Bank Reconciliations had not been prepared for two Bank Current Accounts.
(ii) Financial Regulation 756 (1)	Even though a Board of Survey should be appointed on or about 15 December of each year and conduct a survey of goods, the Survey of goods in respect of the year 2015 had not been conducted even by 31 July 2016.

## 3. Financial Review

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### 3.1 Financial Results

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According to the financial statements presented, the financial result for the year under review had been a surplus of Rs.271,598 as against the deficit of Rs.170,636 for the preceding year,

thus indicating an improvement of Rs.442,234 in the financial result for the year under review as compared with the preceding year. The increase of the Government recurrent of grants for the year by a sum of Rs.5,798,043 had been the main reason for the improvement.

An analysis of the financial results for the year under review and the four preceding years revealed that, despite the financial result for the year 2011 being a surplus, of Rs.74,938 there were deficits of Rs.29,305 , Rs.111,977 and Rs.170,636 in the years 2012, 2013 and 2014 respectively. There was a surplus of Rs.271,598 in the year 2015. In taking into account the employees remuneration and the depreciation on the non-current assets, the contribution of Rs.4,544,910 in the year 2011, had improved to Rs.9,951,274 by the year 2015 by way of fluctuations ranging from 2 per cent to 111 per cent.

### **3.2 Legal Actions instituted against or by the Council**

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A labourer who served in the Medical Council had filed a case against his removal from service claiming compensation of Rs.3,000,000. The relevant parties had files 05 cases in the Courts relating to matters such as the abolition of registration of temporary Doctors, not allowing the conduct of their examinations, abolition of the Interim Control Committee, etc.

## **4. Operating Review**

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### **4.1 Performance**

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The following observations are made.

According to the Homeopathy Act, No. 7 of 1970.

- The regulation, control, promotion and encouragement of the practice of medicine according to homeopathy.
- The promotion and encouragement of the study of and research in homeopathy and the establishment and maintenance of a Homeopathy Medical College.
- Taking steps for development or encouragement of measures for the investigation of diseases and for improvement of public health according to homeopathy.
- The regulation and control of homeopathic institutions and the regulation and control of manufacture, importation, sale and distribution of homeopathic medicine, drugs and other preparations.

The following matters were observed during the course of an examination of the achievement of the above objectives during the year under review.

- (a) Action had not been taken for the achievement of the main objectives such as the regulation, promotion and encouragement of the practice of medicine according to homeopathy and the promotion and encouragement of the study of and research in homeopathy.
- (b) Instances in which action in accordance with the Action Plan prepared for the year under review had not been taken are as follows.

- (i) Even though plans had been made for the conduct of 21 Mobile Clinics out of that 14 clinics had not been conducted.
- (ii) The plans such as the conduct of 3 school programmes for the Awareness of Homeopathy Medical System, the conduct of Awareness Programme for the officers of the Ministry of Health and all Institutions, organization of 5 Television and Radio Discussions for giving Publicity for the Homeopathy Medical System and the commencement of a Web Home Page had not been implemented.
- (iii) Even though the conduct of 02 Workshops for the evaluation of the services and experience of Homeopathy Doctors had been planned, out of that only one Workshops had been conducted.
- (iv) Even though plans had been made for activities such as the introduction of an approved specific administrative procedure for the Homeopathy Medical Council, the formulation of regulation and publishing in the Gazette, the formulation of bylaws for the production of Homeopathy drugs and ensure availability in the market, the build up of funds for establishment of Homeopathy Drug Stores and pharmacies and the import and distribution of stocks of drugs, none of the activities had been executed even by the end of the year under review.

#### **4.2 Management Activities**

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 The following observations are made.

- (a) Even though a building had been constructed in the year 2008 for the commencement of a Homeopathy Medical College and the furniture and equipment had been supplied in the year 2009, the academic activities of that had not been commenced even by 01 November 2016 as steps had not been taken for the formulation of the legal framework relating to the commencement of its academic activities. Accordingly, the fixed assets costing Rs.1,199,254 purchased and the building related thereto had been idling over a period exceeding 05 years.
- (b) Even though decisions had been taken for the formulation of a Code of General Orders for the 7 Medical Clinics at the meeting of the Interim Control Committee held on 05 January 2012, for obtaining the approval of posts for 14 new clinics and for the publication of rules and requirements for the Homeopathy Education Institute in the Gazettes at the meeting of the Interim Control Committee on 29 August 2013, and for the further expansion of the Homeopathy Orders 1981 on the manufacture , import and distribution of Homeopathy Drugs at the meeting of the Interim Committee on 08 January 2014, those decisions had not been implemented even by 04 July 2016, the date of audit.
- (c) Action had not been taken to identify the Doctors who had not paid the money for the annual renewal of registration and recover the money.

### **4.3 Uneconomic Transactions**

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The following observations are made.

- (a) The average number of patients seeking treatment from the 7 clinic maintained is about 55,000 per year. Even though the annual consumption of small bottles (medicine containers) for them is about 220,000 , the purchase of 1,764,000 units of small and large size containers had been made in the year under review at a cost of Rs.1,145,241. Even though the Medical Council did not have adequate and standard storage facilities, a large sum of money had been spent for the purchase of a stock adequate for over 8 years.
- (b) Even though 500 Medical Certificate books costing Rs.62,000 had been purchased in the year under review for sale to the Doctors registering in the Medical Council during the year under review, only 13 books had been sold even by July 2016.

## **5. Accountability and Good Governance**

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### **5.1 Internal Audit**

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An Internal Audit Unit is not functioning the Homeopathy Medical Council and internal audit had not been carried out even by the Internal Audit Unit of the Ministry of Indigenous Medicine.

### **5.2 Budgetary Control**

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Even though the Medical Council did not have a motor vehicle, allocation of Rs.500,000 and Rs.180,000 had been made in the budget for motor vehicle maintenance expenses and for fuel, A sum of Rs.1,974,774 had been spent on 11 objects for which provisions had not been made in the budget. According to the budget the variances between the estimated expenditure and the actual expenditure had ranged from 50 per cent to 100 per cent. As such the budget had not been made use of as an effective instrument of management control.

### **5.3 Unresolved Audit Paragraphs**

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Even though the Committee on Public Enterprises had directed at the meeting held on 15 September 2010, that the regulations of the Homeopathic Medical Council should be revised to be compatible with the current conditions, that directive had not been implemented even by 31 December 2015 due to the non-appointment of the Homeopathy Medical Council even by the end of the year under review.

## **6. Systems and Control**

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Deficiencies in systems and controls observed during the course of audit were brought to the notice of Chairman of the Council from time to time. Special attention is needed in respect of the maintenance of accounting activities together with the primary subsidiary books and ledger accounts.