

Ayurvedic Medical Council – 2017

The audit of financial statements of the Ayurvedic Medical Council for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 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 and Sections 11 to 21 of Part III of the Ayurveda Act, No.31 of 1961. 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. A detailed report in terms of Section 13(7) (a) of the Finance Act was issued to the Chairman of the Medical Council on 22 June 2018.

1.2 Management’s Responsibility for the Financial Statements

The 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 risk assessments, the auditor considers internal control relevant to the Council’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 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. Subsections (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 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 Ayurvedic Medical Council as at 31 December 2017 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 Sri Lanka Public Sector Accounting Standards

(a) Sri Lanka Public Sector Accounting Standard 1

- (i) In terms of paragraph 48 of the Standard, revenue and expenses shall not be offset unless required or permitted by Sri Lanka Public Sector Accounting Standards. However, the printing expenditure of Medical Certificate Books amounting to Rs.50,592 had been offset against the sales revenue of 1,054 of those books amounting to Rs.368,900 and only the net revenue of Rs.318,308 had been shown in the financial statements.
- (ii) In terms of paragraph 132 of the Standard, significant accounting policies should be disclosed in the financial statements. However, the accounting policy relating to the accounting of Government grants received to the Council, had not been disclosed in the financial statements.

(b) Sri Lanka Public Sector Accounting Standard 7

In terms of paragraph 69 of the Standard, the depreciation of an asset begins when it is available for use. However, contrary to it, the Council had followed the policy of depreciation for the whole year without considering the date of purchase of the asset.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) A sum of Rs.113,570 payable in the year under review for repairs of the computer system and for hanging curtains had not been brought to account.

- (b) Out of Government grants amounting to Rs.6,750,000 received for recurrent expenditure during the year under review, only a sum of Rs.6,000,000 had been brought to account as an income and a sum of Rs.750,000 had been credited to the Reserve and Capital Account.

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

The following non-compliances were observed.

Reference to Laws, Rules, Regulations etc.	Non-compliances
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(a) Section II (1) (e) of Part III of the Ayurveda Act, No.31 of 1961	Three registered Ayurvedic practitioners and one lecturer elected from the lecturers of each approved Ayurvedic educational institute should be appointed as a member of the Council. Nevertheless, action had not been taken to appoint those members even up to the end of the year under review.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka Financial Regulation 756	According to financial statements, the Annual Board of Survey on property, plant and equipment amounting Rs.6,168,201 as at 31 December 2017 had not been conducted even by 30 May 2018 and the recommendations given by the reports on Board of Survey for the preceding year had not been implemented even by 10 May 2018.
(c) Section 9.3.1 of Public Enterprises Circular No. PED/12 of 02 June 2003	No Scheme of Recruitment required for the post of Registrar, which is a post of the Top Management Level of the Medical Council, had been formulated and obtained approval of the Department of Management Services as well.
(d) Ayurvedic Medical Council Paper No.14/13/08 (03) of 05 July 2005	All practitioners registered in the Council should renew the registration once in every 05 years. However, 15,727 practitioners whose registration had expired for 05 years by the end of the year under review, had not renewed registration and the Council had not identified and implemented a proper methodology for renewing registration. As such, the income lost to the Council relating to the year under review amounted to Rs.16,530,750.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Council for the year under review had been a deficit of Rs.1,476,904 as against the surplus of Rs.1,153,359 in the preceding year thus observing a deterioration of Rs.2,630,263 in the financial result of the year under review. The decrease in registration fees of practitioners by 50 per cent or Rs.3,819,131 as compared with the preceding year, had been the main reason for the above deterioration.

An analysis of the financial results for the year under review and 04 preceding years revealed an increase in the surplus of Rs.1,575,270 in the year 2013 up to Rs.3,371,292 in the year 2014 and in the year 2015 it had again decreased to Rs.712,624. The surplus which had increased up to Rs.1,153,359 in the year 2016 had decreased up to a deficit of Rs.1,476,904 in the year 2017. After readjusting the employees' remuneration, depreciation for non-current assets and tax to the financial result, the contribution of Rs.5,733,505 in the year 2013 had decreased up to Rs.4,674,974 with fluctuations by the year 2017.

4. Operating Review

4.1 Performance

4.1.1 Function and Review

The following observations are made.

- (a) Performance indices had not been determined for evaluation of tasks of processes such as registration of practitioners of the Ayurvedic Medical Council and Traditional Ayurvedic Practitioners, conducting examinations, issue of examination results and the performance as well had not been reviewed.
- (b) In terms of Section 18 of Part 03 of the Ayurveda Act, No.31 of 1961, the following observations are made relating to achievement of objectives of the Council.
 - (i) The registration of practitioners had decreased by 70 per cent in the year under review as compared with the preceding year and the registration of graduates, traditional physicians and traditional specialists had decreased by 70 per cent, 81 per cent and 91 per cent respectively. However, the reasons thereto had not been revealed.

- (ii) Ayurvedic nurses had not been newly registered after registration for the last time in the year 2013. Moreover, Ayurvedic Dispensers had not been registered in the year under review and a proper procedure had not been identified and implemented for registering those officers in the Council.
 - (iii) According to the Action Plan prepared for the year under review, the written examination on registration of traditional Ayurvedic practitioners should be held during the year under review. Nevertheless, that examination had not been held even by 10 May 2018. Moreover, the Council had failed to issue results of the written examination held in October of the preceding year even by 31 December 2017.
 - (iv) Fourteen and 34 complaints had been received in the year under review and the preceding year respectively relating to quack practitioners. Out of them, investigations of 11 and 08 complaints had not been completed respectively even by 16 May 2018 and follow up action had not been taken on 03 and 26 complaints for which investigations had been completed. As the Ayurveda Act and Disciplinary Orders had not been revised in accordance with timely requirements, most of the complaints inquired had been limited only to the issue of warnings and instructions.
- (c) According to the Action Plan prepared for the year under review, 26 activities to be fulfilled relating to 12 strategies could not be commenced during the year under review.

4.2 Management Activities

The following observations are made.

- (a) Electricity had been supplied to the Drivers' Quarters of the Department of Ayurveda by connecting the electricity meter which supplies electricity to the building of the Ayurvedic Medical Council. As such, the monthly electricity bill of the Ayurvedic Medical Council had increased up to Rs.32,503 in an unusual manner.
- (b) In terms of the Letter of Appointment issued to the Ayurvedic Specialist recruited on contract basis from 08 August 2017 for the post of Registrar of the Council, she should serve full time in the Council. However, the Council had decided that her arrival and departure are not required to be recorded in the relevant register. As such, it was observed that she is not occupied on full time duty in that post.
- (c) Out of practitioners registered in the Council as at 31 December 2017, the Council had failed to take prompt action in respect of 1,619 practitioners of whom information could not be obtained. As such, it was observed that there was a possibility of quack practitioners engaging in practice by using those registration numbers.

4.3 Funds Management

According to the cash book, the balance of the bank current account as at 01 January 2017 amounted to Rs.5,406,214 and that balance was Rs.4,339,576 by 31 December 2017. The monthly average bank balance in the year under review was Rs.4,992,668 and the current ratio was 7.27 as at 31 December 2017. As such, attention had not been paid to deposit the remaining cash, except for the working capital, in short term investments generating interest income.

4.4 Operating Activities

In the renewal of registration of Ayurvedic practitioners, the Medical Council had decided on 18 December 2015 to issue a new certificate and to print 6,000 of the said certificates. However, the printing of new certificates had failed even by 10 May 2018. As such, the relevant certificates of registration could not be issued to 7,934 practitioners who had made payments for renewal of registration from 2015 to 2017.

4.5 Staff Administration

In terms of the approved cadre of the Council, action had not been taken to fill the vacancies of two Management Assistants and one Karyala Karya Sahayaka.

5. Sustainable Development

Even though all Government institutions should act in terms of Circular No.NP/SP/SDG/17 of 14 August 2017 issued by the Secretary to the Ministry of National Policy and Economic Affairs and the “2030 Agenda” of the United Nations on sustainable development, the Ayurvedic Medical Council had not been aware of the manner in implementing the functions that come under its scope relating to the year under review.

6. Accountability and Good Governance

6.1 Presentation of Financial Statements

In terms of Section 6.5.1 of Public Enterprises Circular No PED/12 of 02 June 2003 and provisions of Treasury Circular No.01/2004 of 24 February 2004, annual financial statements of statutory boards should be presented to the Auditor General within 60 days of closure of the year of accounts. However, the financial statements relating to the year under review had been presented on 11 April 2018 with a delay of 41 days.

6.2 Budgetary Control

Unfavourable variances ranging between 45 per cent and 100 per cent relating to 12 Items of Revenue and variances ranging between 29 per cent and 128 per cent relating to 03 Items of Expenditure were revealed in the comparison of the budgeted and the actual income and expenditure for the year under review, thus observing that the budget had not been made use of as an effective instrument of management control.

6.3 Tabling of Annual Reports

In terms of Section 6.5.3 of Public Finance Circular No. PED/12 of 02 June 2003, Annual Reports of the Council relating to the years 2015 and 2016, had not been tabled in Parliament even by 23 May 2018.

6.4 Unresolved Audit Paragraphs

Services had been supplied without realizing 27 money orders totalling Rs.9,780 received for the period from the year 2006 up to 31 December 2014 and the originals of those 27 money orders had not been made available to Audit.

7. Systems and Controls

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

Areas of Systems and Controls

Observations

Control of Operations

- (i) Failure in taking action to determine the periods and act accordingly in the registration of traditional practitioners, acceptance of applications, holding written and oral examinations and issue of results.
- (ii) Failure in establishment of a methodology so as to amend the Ayurveda Act and Disciplinary Orders and to carry out speedy investigations.