

Homeopathy Medical Council – 2017

The audit of financial statements of the Homeopathy 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 Section 40(3) of Homeopathy Act, No.10 of 2016 . 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

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 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.

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 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

The following observations are made.

(a) Sri Lanka Public Sector Accounting Standard 07

Even though the Depreciation of an asset begins when it is available for use in terms of Paragraph 69, in contrary to that the Council had followed the policy of totally depreciation of assets for the year purchased without considering date of purchased and the policy of non- depreciation in the year of removal .

(b) Sri Lanka Public Sector Accounting Standard 08

The necessary disclosures had not been made in the financial statements in respect of 5 cases on trial against the Council in terms of Paragraph 100 of the Standard.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a)** The cost made for the drug containers, lids and envelopes purchase for the packaging of drugs had been written off as an expenditure in the year of purchased itself. Therefore, as a result of the drug containers and lids cost at Rs. 233,000 thereon purchased in the preceding year and consumed during the year under review were not recorded as an expenditure, the expenditure of the year under review had been understated by the same amount. As such, because of the cost of the stock in hand amounted to Rs. 685,300 as at 31 December 2017 was not taken in to accounts, the current assets also had been understated by the same amount.
- (b)** Even though the gratuity provision which should be made as at 31 December 2017 for the total service period of 19 employees was Rs. 840,650 as a result of the provision made amounting to Rs. 497,614 instead of that, the gratuity provision had been understated by Rs.343,036.

- (c) A sum of Rs. 195,900 received to the Council in the year 2014 as the examination fees had been credited to a current account maintained by the name of the Secretary to the Ministry of Health, Nutrition and Indigenous Medicine without crediting to the current account belong to the Council . Accordingly, due to that income had credited to the state revenue although that was not an asset of the Council hereafter, that value had been shown in the financial statements as an asset.
- (d) The Office of the Homeopathy Medical Council is being functioned in a building belonging to the Ministry of Health and although the ownership of that building and the land had not belonged to the Council , a sum of Rs. 4,227,506 incurred for the renovation of that building during the period from the year 2013 to the year under review had been capitalized under non- current assets.
- (e) The depreciation amount of Rs.31,199 related 07 name boards purchased at cost of Rs. 259,990 during the year under review had not been brought to accounts.

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. 430,427 and the corresponding deficit for the preceding year was Rs. 422,515 thus indicating a deterioration of Rs. 7,912 in the financial result of the year under review as compared with the preceding year. The increase of government recurrent grant by Rs. 1,189,976 and total expenditure by Rs.1,209,301 in the year under review as compared with the preceding year had mainly attributed to the above deterioration.

In analyzing of the financial results for the year under review and the 04 preceding years the deficit of Rs. 111,977 and Rs. 170,636 in the years 2013 and 2014 respectively had become a surplus of Rs. 271,598 in the year 2015 and again converted into deficits of Rs. 422,515 and Rs. 430,427 in the years 2016 and 2017 respectively . However, in readjusting the employees' remuneration and depreciation for the non- current assets to the financial result, the contribution amounted to Rs. 4,873,487 in the year 2013 had improved to Rs. 9,951,274 between 6 per cent and 93 per cent with fluctuations in the year 2015 and it had improved in the years of 2016 and 2017 up to Rs. 10,015,998 and Rs. 11,662,324 respectively.

3.2 Legal Action instituted against the Council

Cases had been filed against the dismissing of a Doctor and a labourer from the service employed in the Medical Council claiming compensations of Rs. 3 million and Rs. 2 million each respectively. In addition to that, two Doctors had filed 2 cases against the Council requesting for the abolition of appointments and registrations made after the dissolution of the Medical Council and payment of arrears in salaries.

4. Operating Review

4.1 Performance

4.1.1 Planning

The Action Plan of the year under review had not been prepared included in the plans related to achieve the main objectives such as to promote, foster and regulate the practice of Homeopathy profession, to promote and encourage the study, research into and practice of Homeopathy, to regulate and control of the manufacture, sale and distribution of Homeopathic medicines, drugs and other Homeopathic preparations.

4.1.2 Activities and Review

The following observations were made at the examination conducted in relation with the achievement of the objectives of the Council during the year under review in terms of the Homeopathy Act No. 10 of 2016.

- (a) Even though the decisions had been taken at the Interim Medical Council meeting held on 04 November 2016 to take required actions for the Registrations of the Homeopathy Doctors in terms of Section 30 of Homeopathy Act No. 10 of 2016, necessary laws for that had not been compiled even by the 31 May 2018.
- (b) The participation of patients for the 04 clinics out of the 07 clinics conducted by the Council had dropped and that reduction had ranged from 4 per cent to 25 per cent as compared with the previous year. The participation of patients in 03 clinics had increased and that growth remained from 6 per cent to 20 per cent as compared to the previous year.
- (c) The steps that were not taken in accordance with the Action Plan prepared for the year under review were as follows.
 - (i) Actions had not been taken to achieve the objectives under the provisions of the Act such as the Registration of Homeopathy Healthcare service providing institutions and publish necessary regulations to commence a Government Homeopathy Medical College . Furthermore, even though it had been planned to get passing in Parliament by publishing laws, rules and regulations during the year under review for the enforcement of the provisions in the Homeopathy Act , drafting of directives and 03 rules had only been made.
 - (ii) Although the applications had been called to conduct the examination by planning to register the Homeopathy Doctors by holding an examination during the year under review, the examination had not been held and the registration of doctors also had not been done.

- (iii) Even though it had been planned to import and distribution of Homeopathy drugs during the year under review, the approval had been made only for 07 pharmaceutical importation applications.

4.2 Management Activities

The following observations are made.

- (a) The money collected as fees for a course planned to be conducted by the Interim Medical Council held in the year 2009 had been deposited in a private bank and the balance of that account as at 31 December in the year under review was Rs. 1,702,684 . The relevant course had not been conducted as planned and even though the Interim Medical Council had decided that those money should be paid back to the depositors , any information with regard to the depositors and the amount charged had not available in the Council.

- (b) The activities of the Council should be conducted by the Interim Medical Council appointed by the Minister until the Council is established within two years from the date of this Act is in effect in terms of Section 51 (2) of No. 10 of 2016 of the Homeopathy Act . Nevertheless, according to the Section 51 (3) of the Act the Interim Medical Council should have been appointed by the Minister for a period of three months starting from the due date. Accordingly, the Management had not taken actions to rectify the non-comparison of each of the Sections of the Act regarding the validity period of the Interim Medical Council.

4.3 Operational Activities

The Register for Registration of Homeopathy Doctors had not been maintained in updated manner and 8 names of the doctors who had registered in the year 2016 had not been published by the Gazette Notification.

4.4 Transactions of Contentious Nature

Donation sheet books consisting of 100 sheets worth Rs. 50 each named as “Homeopathy Fund” had been printed without any provision for obtaining authority for the collection of public funds and also without a proper approval and any information with regard to the number of total donation sheets printed, the year of printed, sales income of the tickets, and descriptions of banking of the money had not available in the Council. Out of that, a stock of 417 books were remained by the date of 26 April 2018. A shortage of 162 books were seen in between the lowest book number and the highest book number existed and the total amount which could have been able to collect by that was Rs. 810,000.

4.5 Idle or underutilized Assets

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 31 May 2018 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 remained idle over a period of 07 years.

4.6 Staff Administration

The following observations are made.

- (a) Even though in terms of Sections 20 (2) and 20 (3) of Homeopathy Act No. 07 of 1970 at the request of the Council, any Assistant Secretary to the Ministry may, with his consent and the consent of the Secretary to the Treasury be temporarily appointed as Registrar for such period as shall be determined by the Council with like consent, an officer outside to the Ministry had been enrolled on permanent basis for the post of Registrar on 16 October 2012 subject to a probation period of 03 years by the Interim Council.
- (b) Even though, the efficiency bar examination should be passed before completion of 03 years period for the pharmacists after appointing to the post to permanent in the service in terms of 4.4 of the approved Scheme of Recruitment, actions had not been taken even by the 31 December 2017 to conduct the relevant efficiency bar examination for the 07 pharmacists who had been enrolled on permanent basis from the date of 24 October 2014 to permanent in service.

5. Sustainability Development

5.1 Achievement of Sustainability Development Goals

As a result of the Medical Council had not aware of the Circular No. NP/ SP/ SDG/ 17 of 14 August 2017 issued by the Secretary to the National Policy and Economic Affairs and the United Nations' year 2030 Agenda for Sustainable Development, actions had not been taken to identify the Sustainable Development Goals in relation to the activities of the Council, targets and interlinks where can be reached to the targets and the indicators to measure for reaching targets.

6. Accountability and Good Governance

6.1 Internal Audit

In terms of Financial Regulation 133 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka, an Internal Audit Unit had not been established for the Council and an internal audit had not been carried out even by the Internal Audit Unit of the Ministry of Health, Nutrition and Indigenous Medicine.

6.2 Budgetary Control

In terms of Section 5.2 of Public Enterprises Circular No. PED 12 of 02 June 2003, actions had not been taken to prepare an estimated budget on the income and expenditure of the Council for the year under review and to make use of it as an effective instrument of management control.

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 systems and controls.

Area of Systems and Control	Observations
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(a) Accounting	Non- maintenance of ledger accounts including all the assets, liabilities, income and expenditure and not writing the journal entries for the adjustments.
(b) Stock Control on Consumable Items	Not conducting the physical verification for drug containers, lids and envelope stocks and not maintaining a proper accounting system regarding those stocks.
(c) Staff Administration	Not enrolling the subject oriented staff for the Homeopathy Medicine as per the approved Scheme of Recruitment and regulations.