

National Medicine Regulatory Authority – 2017

The audit of financial statements of the National Medicine Regulatory Authority for the year ended 31 December 2017 comprising the statement of Financial Position as at 31 December 2017 and the statement of Comprehensive Income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements and summary of significant accounting policies 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 20 of the National Medicine Regulatory Authority Act No. 5 of 2015. My comments and observations, which I consider should be published with the Annual Report of the Authority in terms of Section 14 (2) (c) of the Finance Act appear in this report and the transaction report submitted to the Chairman of the Authority on 15 October 2018.

1.2 Management Responsibility for the Financial Statements

Management is responsible for the preparation fair presentation of these financial statements in accordance with Sri Lanka 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 Responsibilities for the Audit of the Financial Statements

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 Standard consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810).

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 matters described in paragraph 2.2 of this report, the financial statements give true and fair view of the financial position of National Medicine Regulatory Authority as at 31 December 2017 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on the Financial statements

2.2.1 Sri Lanka Accounting Standard

The following observations are made

(a) **Sri Lanka Accounting Standard 1**

- (i) According to the paragraph 113 of the standard, notes had not been presented for the items i.e. Inventory, short term investments, provision for income tax, Payable value added tax, payable stamp duty, provisions for Treasury remittance included in the financial position statements and interest income and other income included in the statement of Comprehensive income.
- (ii) According to the paragraph 117 of the standard, even though significant accounting policies which need to understand the financial statements should be disclosed, related party transactions had not been disclosed by the Authority.

(b) **Sri Lanka Accounting Standard 20**

According to the paragraph 31 of the standard, it had not been disclosed that Government Grant for recurrent expenditure not being received during the year under review compared with the previous year.

2.2.2 Accounting Deficiencies

The following observations are made

- (a) Laboratory testing charges amounting to Rs.2,913,051 and license fees amounting to Rs.217,672 relating to previous years which had been received during the year under review had been taken into accounts considering as revenue for the year under review.
- (b) Revenue from registration of drugs and revenue of medical equipment processing fees relating to the year under review had been understated by Rs.3,078,000 and Rs.489,846 respectively in the accounts.
- (c) Income tax for the year under review and the liability of tax as at 31 December 2017 had been overstated by Rs.2,723,519.
- (d) Although the value of Value Added Tax paid in the year 2018 relating to the year under review and the previous year was Rs.106,949,434, the payable value of Value Added Tax as at 31 December 2017 had been taken into accounts as Rs.105,462,594.

- (e) Although the stamp fees paid in the year 2018 relating to the year under review and the previous year was Rs.31,201,280, the payable stamp fees as at 31 December 2017 had been taken into accounts as Rs.36,111,233.

2.2.3 Unreconciled Control Accounts

There were differences of Rs.310,800 and Rs.46,473 between the value of the financial statements and the schedules relating to the income of medical equipment importation charges and income of testing charges of good manufacturing practice (local) respectively.

2.2.4 Lack of Evidence for Audit

Schedules and age analysis had not been presented to audit relating to advance received amounting to Rs.85,643,656 as per the financial statements for the year under review. Hence the said value could not be affirmed.

2.2.5 Assets not being Accounted

Assets belonged to the National Drug Quality Assurance laboratory which was implemented under the Ministry had not been taken into accounts even as at 31 May 2019.

3. Financial Review

3.1 Financial Result

According to the financial statements presented, operations of the year under review had resulted a profit of Rs.288,823,697 and the corresponding profit for the previous year was Rs.57,557,675. Accordingly an improvement of Rs.231,266,022 was observed in the financial result. Increase of registration income by 385 per cent had mainly affected to this improvement.

3.2 Trend Analysis of Main Expenditure Items

Administration expenditure for the year under review and the previous year were Rs.25,497,060 and Rs.60,759,242 respectively and the said expenditure had increased by 138 per cent in the year under review compared with the previous year. Increase of foreign travel expenses by 2516 per cent and expenses for testing good manufacturing practice by 1635 per cent had mainly affected to it.