

Private Health Services Regulatory Council – 2017

The audit of financial statements of the Private Health Services Regulatory 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, the cash flow statement and a summary of 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 No.13(1) of the Finance Act, No.38 of 1971 and the section No.7(1) of the Private Medical Institutions (Registration) Act, No. 21 of 2006. 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 and the transactions report issued to the Chairman of the Council on 19 October 2018.

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).

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 Private Health Services Regulatory 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 1

- (i) According to the paragraph 132 of the Standard, a summary of significant accounting policies had not been disclosed.
- (ii) According to the paragraph 108 of the Standard, even though the entity should present either on the face of the statement of financial performance or in the notes, a sub – classification of total revenue classified in a manner appropriate to the entity’s operations, the income of Rs.21,944,000 received as registration fees for the year under review had not been classified and presented.

(b) Sri Lanka Public Sector Accounting Standard 7

According to the paragraph 65 of the Standard, the useful life of the assets had not been reviewed annually and all non-current assets including furniture and fixtures, office equipment and computers had been depreciated at 5 per cent each.

2.2.2 Accounting Policies

Registration fees of the private medical institutions had not been accounted for on the Accrual Basis and had been accounted for on Cash Basis instead of that.

2.2.3 Accounting Deficiencies

Fixed Deposit Interest Income receivable as at 31 December 2017 amounting to Rs.2,107,445 and Gratuity expenditure on behalf of 09 officers and employees of the Council had not been accounted.

2.2.4 Lack of Evidence for Audit

The following observations are made.

- (a) Any written evidence was not furnished for confirm the balance in Fund Transfer Account amounting to Rs.232,400 had shown as current assets as at 31 December 2017.
- (b) The sums of Rs.309,000 and Rs.45,000 had been added and subtracted to the cash balance respectively for balancing of the Bank Reconciliation Statement prepared as at 31 December 2017. Any detail about those unidentified balances had not been furnished to the audit.

3. Financial Review

3.1 Financial Result

According to the financial statements presented, the financial result of the Regulatory Council for the year under review amounted to a deficit of Rs.2,466,375 as compared with the corresponding surplus of Rs.2,240,908 for the preceding year, thus the financial result of the year under review had reduced by Rs.4,707,283 as compared with the preceding year. The revenue for the year is not properly recognized due to registration fees income receive directly to the bank had been recognized and accounted on the cash basis, increased in the expenditure by Rs.5,962,479 had mainly effected the above decrease.