

Homeopathy Medical Council - 2020

1.1 Opinion

The audit of the financial statements of the Homeopathy Medical Council for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial performance, statement of changes in equity and cash flow statement and notes to financial statements for the year then ended including a 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 provisions of the National Audit Act, No. 19 of 2018 and the Finance Act, No. 38 of 1971. My comments and observations which I consider should be tabled in Parliament appear in this report.

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 2020, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Council or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Council's financial reporting process.

As per Sub-section 16(1) of the National Audit Act, No. 19 of 2018, the Homeopathy Medical Council is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Authority.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the

Council and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Council has complied with applicable written law, or other general or special directions issued by the governing body of the Board ;
- Whether the Council has performed according to its powers, functions and duties; and
- Whether the resources of the Council had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Non-compliance with Sri Lanka Public Sector Accounting Standards

Reference to Laws, Rules, and Regulations, etc.	Non-compliance	Comment of the Management	Recommendation
(a) Section 5(1) of the Payment of Gratuity Act, No. 12 of 1983.	Gratuity should be paid to an officer within a period of 30 days from the date of termination of service. However, gratuity amounting to Rs. 77,205 had not been paid even by 31 December 2020 to an officer who had served as a Pharmacist for a period of 05 years before resigning on 15 May 2020.	At the time of his resignation, a Medical Council did not exist. Instructions will be given to the officers to promptly pay the gratuity under the new Medical Council.	Provisions in the Payment of Gratuity Act should be followed.
(b) Homeopathy Act, No. 10 of 2016.			
(i) Sub-section 28(6).	The register maintained by the Council for the registration of Homeopathy practitioners, had not been kept up-to-date in a manner that it could be used to separately identify the practitioners who had paid the fee for renewal of the registration and who had not done so, and identify the fees in arrears.	Officers will be instructed to maintain a register recording the fees paid to renew the registration of practitioners.	The register for registration of practitioners of Homeopathy, should be maintained up-to-date so that it could be used to identify the renewal of registration, and non-renewal of registration.

- (ii) Section 30. An examination should be held for the registration of Homeopathy practitioners, but formulation of laws and regulations relating to the examination had not been concluded; as such, the examination for which applications had been called in the year 2018, could not be held even by 30 June 2021. Hence, registration of the practitioners had delayed.
- Laws and regulations have been made. Once published in the Gazette, it is possible to conduct the examination and grant registration.
- Formulation of laws and regulations should be done expeditiously. Action should be taken to register the practitioners without delay.
- (iii) Sub-section 31(1). A register of Homeopathic pharmacists should be maintained to register the pharmacists of Homeopathy. However, such a register had not been prepared even by 31 December 2020 as the regulations for the implementation of those provisions had not been made.
- A Committee has been appointed to make regulations, and action is being taken to expeditiously make such regulations. It is expected to promptly register the pharmacists.
- Action should be taken to implement the provisions of the Act by making regulations.
- (c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.
- (i) Financial Regulation 133. An Internal Audit Unit had not been established by the Council. An internal audit had not been conducted for the year under review by the Internal Audit Unit of the Ministry of Health as well.
- It is intended to conduct an internal audit in cooperation of the Ministry. As an audit and management committee has been established, such activities will be done expeditiously through the committee.
- The Financial Regulations should be followed.

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| (ii) Financial Regulation 751. | All the goods should be inventoried as soon as they are received by the institution. However, items worth Rs. 644,634 and Rs. 885,892 were purchased in the year 2018 and the year under review respectively, had not been recorded in the registers for general and surgical items. | The year 2018 was a year that passed without existence of a Medical Council. Updating registers was delayed due to Covid pandemic in the year under review. The officers were instructed to update the stock books and record the items in the relevant registers at the time of purchase once the new Medical Council was established in September 2020. | - Do. |
| (iii) Financial Regulation 754. | The stocks register should be tallied at the end of each financial year, but the registers of general and surgical items had not been tallied since the year 2019. | Delays occurred in tallying the stocks registers due to Covid pandemic. Officers have been instructed to follow the Financial Regulations thereby promptly tallying the said registers. | - Do. |
| (iv) Financial Regulation 756. | Annual Board of Survey should have been appointed to conduct a survey on the items of the institution, but it had not been so done since the year 2018. | Action will be taken with the Ministry to expeditiously appoint a Board of Survey. | - Do. |

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| (d) | Section 16.1 of Chapter II of the Establishments Code. | It is the responsibility of the head of the institution to conduct the Efficiency Bar examinations on time. However, action had not been taken even by 30 June 2021, the date of audit, to conduct Efficiency Bar examinations for 20 officers recruited to 04 posts in the years 2012, 2014, and 2015. As such, the said officers could not be made permanent in their posts, nor had action been taken to extend their probation periods. | Action is being taken to conduct the Efficiency Bar examinations. | Such examinations should be conducted expeditiously, and until then, their probation periods should be extended. |
| (e) | Public Enterprises Circular, No. 2/2018, dated 14 November 2018, | As per the provisions set out in the Circular, funds should be deposited in an account maintained at a Government bank. Nevertheless, course fees totaling Rs. 1,204,500 collected in the year 2009, had been deposited in a savings account being maintained at a private bank. The balance of that account amounted to Rs. 1,953,157 as at 31 December 2020. | The new Medical Council is taking measures with the Ministry to withdraw those monies from that account and deposit in the Homeopathy Fund maintained at the Bank of Ceylon as a reserved amount. | Provisions in the Public Enterprises Circular should be followed. |

2. Financial Review

2.1 Financial Results

The operating result of the year under review was a deficit of Rs. 1,719,379 as compared with the corresponding deficit of Rs. 141,689 in the preceding year, thus observing a deterioration of Rs. 1,577,690 in the financial result. This had mainly been attributed by the increase in the salaries and allowances of the staff, and the gratuity allowances.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation	Comment of the Management	Recommendation
An Action Plan had not been prepared for the year under review with respect to the objectives such as, promotion, encouragement and regulation of Homeopathy, conducting researches on Homeopathy, manufacture of drugs, and control and regulation of sales and distribution.	As all the plans are made based on the proposals of the Medical Council, an Action Plan could not be prepared due to a Medical Council not being appointed. The new Medical Council appointed on 09 September 2020 takes measures to prepare Action Plans for the ensuing years.	Action Plans should be prepared and implemented in a manner that the objectives mentioned in the Homeopathy Act, would be fulfilled.

3.2 Transactions of Contentious Nature

Audit Observation	Comment of the Management	Recommendation
Books of tickets for seeking aid (<i>Adhara pathra</i>) each valued at Rs. 5,000 had been printed under the name "Homeopathy Fund" without proper approval and provision granting approval for collecting funds from the public. The Council possessed no information whatsoever such as, year of print, total number of tickets printed, income through the sale of tickets, and banking of such income. A shortage of 159 ticket books existed between the first book number and the last book number, thus indicating that an amount of Rs. 795,000 would have been collected therefrom. Of that, a stock of 416 ticket books remained unsold, but no action had been taken either to cancel or dispose them even up to 15 July 2021.	The Registrar informed that the Council had not possessed any files containing information about the decisions and transactions relating to the ticket books printed by the Medical Council that had been dissolved in October 2009 by the then Minister in charge following miscellaneous allegations. It was not possible to comment on the queries issued in that connection, and the Ministry intended to destroy the ticket books in due course.	The stock of ticket books should be disposed by taking action properly.

3.3 Idle or Underutilized Property, Plant and Equipment

Audit Observation	Comment of the Management	Recommendation
<p>A building had been constructed in the year 2008 to establish a Homeopathy medical school in terms of provisions in the Homeopathy Act, No. 10 of 2016, and furniture and other equipment worth Rs. 1,199,254 had been supplied in the year 2009. Due to failure in formulating the legal framework required for commencing the academic activities thereof, the academic activities could not be commenced even by 15 July 2021. As such, the fixed assets purchased and the building remained idle over a period of 12 years.</p>	<p>As the Council had become non-functional after the year 2009, those activities had come to a halt. The new Medical Council has appointed a Committee to look into this matter thereby reporting on the legal background relating to the establishment of a medical school and other affairs. It is intended to make use of the building and the other equipment for the relevant purpose in due course in cooperation with the University Grants Commission and the Ministry.</p>	<p>Measures should be taken promptly to make use of the building and the other equipment for the intended purpose.</p>

3.4 Human Resource Management

Audit Observation	Comment of the Management	Recommendation
<p>The approved cadre of the Council stood at 48 as at 31 December 2019 whereas the actual cadre was 37. The vacancies in the essential posts such as 02 Medical Officers and 08 Pharmacists, could not be filled even by 30 June 2021.</p>	<p>Action had been taken to fill vacancies by conducting an interview on 12 July 2021. Action is being taken to commence the NVQ Level 3 course with the TVEC institution, the qualification for recruitment of Pharmacists. Once the course is commenced, the vacancies in the posts of Pharmacists will be filled.</p>	<p>Action should be taken to fill the essential vacancies.</p>