

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Homeopathy Medical Council for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 material accounting policy 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 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, except for the effects of the matters described in Paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the Council as at 31 December 2022 and of its financial performance and its cash flows for the year then ended in accordance Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

I express a qualified opinion on the financial statements based on the matters described in paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). 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 qualified 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 Financial Statements

1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Audit Observation	Comment of the Management	Recommendation
Although, only liabilities due to be settled within a period of less than a year should be classified under current liabilities when preparing the statement of financial position in accordance with paragraph 80 of Sri Lanka Public Sector Accounting Standard No. 1, the total value of provisions for gratuity, amounting to Rs. 3,091,142, had been shown under current liabilities in a manner inconsistent with it.	Actions will be taken to correct this error in the final accounts of 2023.	Actions should be taken to act in terms of the Sri Lanka Public Sector Accounting Standards.

1.5.2 Accounting deficiencies

Audit Observation	Comment of the Management	Recommendation
(a) The cost of which was Rs. 7,547,721, which was stated under non-current assets had not been made the depreciation provision in the financial statements for the rehabilitation and improvement of buildings.	Actions will be taken to show the financial statements are accurately.	Action should be taken to correct it.
(b) The Government capital allocation of Rs. 971,349 spent by the Ministry for the purchase of plant and equipment for the Medical Council during the year under review had not been disclosed in the financial statements.	The efforts will be made to show in the financial statements accurately.	Do
(c) Although the recurrent expenditure incurred by the government for the activities of the Medical Council during the year under review was Rs. 29,810,198 according to the information of the Indigenous Medicine		

Division of the Ministry of Health, it was Rs. 34,807,958 according to the financial statements submitted to the audit, which was overstated by Rs. 4,997,760. The following points were observed in this regard.

- | | | |
|---|---|---|
| <p>(i) The expenditure of Rs. 1,451,562 incurred on 26 occasions by the Ministry for the Medical Council during the year under review had not included in the financial statements and as a result, the recurring allocations received from the government and the relevant expenditure accounts had been understated by that amount.</p> | <p>The values of the vouchers submitted to the audit firm had not been correctly identified under recurring expenses and necessary measures will be taken to present them in the financial statements for the year 2023.</p> | <p>Do</p> |
| <p>(ii) Owing to the double counting of the total amount paid to the Employees' Provident and Employees' Trust Fund amounting to Rs. 4,831,551 during the year, the recurring provisions and staff salaries and allowances for the year had been overstated by that amount.</p> | <p>Actions have been taken to calculate the amount paid to the Employees' Provident Fund and Employees' Trust Fund correctly and enter into the accounts on a monthly basis and no double counting has occurred during the audit of the accounts.</p> | <p>Do</p> |
| <p>(iii) Actions had been taken to account a grant of Rs. 760,000 given by the Bodhi Clinic in the United Kingdom to the Medical Council for conducting medical clinics as recurring government provisions without being separately recognized as income.</p> | <p>Actions are taken to make corrections in the preparation of the 2023 financial statements.</p> | <p>Do</p> |
| <p>(iv) Due to the double counting of arrears of salary payments amounting to Rs. 271,585, recurring provisions and staff salaries and allowances had been overstated by that amount.</p> | <p>Rs. 100,314.50 and Rs. 215,118.25 have been included in the salary payment account and the government recurring grant for May and August respectively in relation to the arrears of salary payments and no double counting</p> | <p>Double counting has taken place. Action should be taken to correct it.</p> |

has occurred according to the salary account of the audit firm and the relevant journal entries.

(v) The recurring provisions and gratuity expenses for the year had been overstated in the financial statements due to the fact that the gratuity expense of the former Registrar, amounting to Rs. 260,703, which had not been paid due to a legal matter, had been credited to the Recurring Provisions Account and debited to the Gratuity Expenses Account.	The necessary actions will be taken to correct it in the forthcoming accounting year.	Action should be taken to correct it.
---	---	---------------------------------------

1.6 Non-compliance with laws, rules, regulations and management decisions, etc.

Reference to laws, rules, regulations, etc.	Non-compliance	Comment of Management	Recommendation
(a) The Homeopathy Act No. 10 of 2016			
(i) (i) Sub-sections (d) and (e) of Section 15	Actions had not been taken to establish and maintain a homeopathic institution by the Homeopathic Medical Council and actions had not been taken to yet determine minimum standards for the regulation of homeopathic institutions that provide treatment using the homeopathic medical system and take the necessary steps to regulate and control those institutions accordingly.	Initial steps have been taken to establish a homeopathic institute and actions are being carried out in conjunction with the Indigenous Medicine Division of the Ministry of Health to establish a homeopathic institute.	Actions should be taken to act in compliance with the provisions of the Homeopathy Act.
(ii) Sub section 31(1)	Although a register of homeopathic pharmacists should be maintained for the registration of homeopathic pharmacists, due to the fact that regulations for the	Regulations are currently being drafted and actions will be taken to register the pharmacists in the future.	

implementation of these provisions had not been formulated, actions had not been taken to maintain such a register even as of 21 October 2024.

- | | | | | |
|-----|---|--|--|--|
| (b) | Section 16.1 of Chapter II of the Establishments Code of the Democratic Socialist Republic of Sri Lanka | Although the Head of the Institution should ensure that examinations for making employees permanent, promotion and promotion from efficiency bars examinations to be held on the scheduled dates, arrangements had not been made to hold efficiency bar examinations for 30 officers in relation to 04 posts recruited from the year 2014 to the year 2022 as of the audit date of 21 October 2024. Due to this fact, some officers could not be made permanent in service and measures had not been also taken to extend their probationary period. | Applications have been invited for the Efficiency Bar Examination and steps will be taken to conduct it expeditiously. | Actions should be taken to act in accordance with the provisions of the Establishments Code of the Democratic Socialist Republic of Sri Lanka. |
| (c) | Financial Regulations of the Democratic Socialist Republic of Sri Lanka | | | |
| | (i) Financial Regulation 133 | Actions had not been taken to establish an internal audit unit for the Medical Council and no internal audit had been conducted for the year under review by the Ministry's internal audit unit. | The Actions are taken to conduct the audit through the Ministry of Health. | Actions should be taken to follow the Financial regulations. |
| | (ii) Financial Regulation 395(c) | Although a bank reconciliation statement should be prepared before the 15 of the following month regarding the transaction status of each month's bank accounts, bank reconciliation statements had not been prepared regarding the current bank account number 0002026466 of the Bank of | Instructions have been given to the Registrar to prepare bank reconciliations in a timely manner. | Do |

Ceylon for the year under review.

- | | | | | |
|-----|---|--|---|--|
| (d) | Public Enterprises Circular No. 2/2018 dated 14 November 2018 | Although the money should be deposited in an account maintained in a state bank as per the circular provisions, the course fees of Rs. 1,204,500 collected in the year 2009 had been deposited in a savings account in a private bank and the balance of the said account was Rs. 2,094,193 at the end of the year under review. Although it was decided to cancel this savings account and deposit it as a Fixed deposit in the Bank of Ceylon by the Board of Governors' decision No. 6.2 dated 30 November 2022, action had not been taken to act in accordance with it even by the end of the year under review. | Further actions will be taken to maintain the said deposit as a Fixed deposit with the Bank of Ceylon. | Measures should be taken to act in accordance with Public Enterprises Circulars. |
| (e) | Section 6.6 of Public Enterprises Circular No. 01/2021 dated 16 November 2021 | Although a approved financial statements and draft annual report should be submitted to the Auditor General within 60 days of the end of the financial year, the financial statements for the 2022 financial year had not been submitted on 23 August 2024, with a delay of more than 17 months. | This delay occurred due to the absence of an accountant in the Homeopathic Medical Council, the existence of employee vacancies and the fact that it took a long time to establish a new Medical Council after the end of the term of the Homeopathic Medical Council and actions will be taken to submit the financial statements within the due time in the future. | Actions should be taken in accordance with public administration circulars. |

2. Financial Review

2.1 Financial Results

The operating result for the year under review was a surplus of Rs.900,779 and the corresponding deficit for the previous year was Rs. 312,581. Accordingly, it was observed that there was an increase of Rs. 1,213,360 in the financial result. This increase was mainly due to an increase of Rs. 3,234,645 in other charges for the year under review.

3. Operational Review

3.1 Transactions of Contentious Nature

. The following observations are made.

	Audit Observation	Comment of the Management	Recommendation
(a)	Donation ticket books worth Rs. 5,000 each had been printed under the name of “Homeopathy Fund” without any provision authorizing the collection of public funds and without formal approval. The council did not have any information regarding the year of printing, the total number of donation tickets books printed, the income from the sale of the donation books and the banking of that money. There was a shortage of 159 books between the lowest and highest book numbers and the total amount that could have been collected from it was Rs. 795,000. Out of those, a stock of 416 books remained and although the audit had pointed out on several occasions, action had not been taken to cancel or dispose of those donation ticket books as of 21 October 2024.	Actions will be taken to form a committee jointly with the Ministry of Health and the Medical Council to take action to dispose of those aid books.	Steps should be taken to promptly dispose of and remove this stock of aid books.
(b)	Actions had been taken to establish a Homeopathy Development Fund based on a decision of the Board of Directors and open a current account at the People's Bank to raise funds for the fund and collect an amount of Rs. 1,180,245 as donations during the year under review 2022. An expenditure of Rs. 575,000 had been incurred for the renovation and improvement of buildings and Rs. 20,800 for the creation of a website from that fund. This income was not shown as income from the Homeopathy Development Fund but it had been shown in the financial statements as income received for the Bodhi Clinic., an amount of Rs. 345,000 had been collected for a friendly meeting of doctors, outside the intended activities of the Medical Council and Rs. 297,500 had been spent as expenses under that account.	Since there is no an accountant in the approved cadre of the Homeopathic Medical Council and the final accounting work is being carried out by engaging external parties, this has occurred due to a confusing situation that occurred when that party obtained the data provided during the preparation of those accounts and actions will be taken to reflect this data in future accounting work.	Action should be taken to fulfill the purposed functions of the council.

3.2 Idle or underutilized property, plant and equipment

Audit Observation	Comment of the Management	Recommendation
A building was constructed in 2008 to establish a Homeopathic Medical College and furniture and other necessary equipment worth Rs.1,199,254 had been procured for it in 2009 in accordance with the provisions of the Homeopathy Act No. 10 of 2016. It was not possible to commence academic activities even as of 21 October 2024 due to the lack of legal framework to commence academic activities there and the lack of necessary human resources. Accordingly, the fixed assets purchased had remained idle for more than 15 years and the building had been used to maintain the office of the Homeopathic Medical Council, excluding its intended purpose.	The preliminary work and legal framework for establishing a medical college are being prepared and actions will be taken to use the assets purchased for the medical college appropriately in the future.	Prompt actions should be taken to use the constructed building and purchased equipment for the relevant purpose.

3.3 Human Resource Management

Audit Observation	Comment of the Management	Recommendation
Although the approved cadre of the Council was 48 as of 31 December 2022, the actual cadre was 35. Steps had not been taken to fill the vacancies of 02 essential medical officers and 09 pharmaceutical dispensers for the Council as of 21 October 2024.	Measures have been taken to seek the approval of the Prime Minister's Office for filling of vacancies according to the new circulars.	Actions should be taken to fill these vacancies.