

Ayurvedic Medical Council- 2023

1. Financial Statement

1.1 Opinion

The audit of the financial statements of the Ayurvedic Medical Council for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 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 Finance Act, No. 38 of 1971. My comments and observations which I consider should be presented to Parliament in pursuance of provisions in Article 154 (6) of the Constitution appear in this report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Authority as at 31 December , 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Opinion

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 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 determine 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 intends to liquidate the Authority 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 Section 16(1) of the National Audit Act No. 19 of 2018, it 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 Council.

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, misrepresentations, 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 Company'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 Council'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 Institute 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 Institute 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 Council;
- 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 Audit Observations on Preparation of Financial Statements

1.5.1 Absence of Written Evidence for Audit

Subject	Amount (Rs.)	Audit evidence not provided	Comments of the Management	Recommendation
Property Plant and Equipment	7,116,688	Physical verification Report	On 09 January 2024, the Board of Survey Board has been appointed and physical verifications have been carried out and as the final report has not been received so far, it will be provided promptly.	Physical verification reports regarding property, plant and equipment should be submitted for audit on time.

1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions etc

Reference to laws, rules, regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Ayurveda Act No. 31 of 1961 Part III	(i) Section 11(1)(e) Three members elected from among the registered Ayurvedic doctors should be appointed as members of the council, but even in the year under review, no arrangements had been made to appoint those three members. .	According to Gazette No. 13564 dated 15 March 1963, the Commissioner of Ayurveda should hold a poll and since it is difficult due to the high cost and the method not being up-to-date, the Medical Council has decided to amend the relevant parts of the Ayurveda Act No. 31 of 1961 on 07 June 2022.	Actions should be taken according to the Ayurveda Act and immediate steps should be taken to remove the practical difficulties that make it impossible to do so.

- (ii) Sections 18 (c) and (d)** As of 31 December 2023, the number of registered nurses in the council was 39 and the number of pharmacists was 260, and the numbers had not been updated as a system of periodically renewing the registration had not been followed. Instead of introducing a system of recruiting and training nurses unique to the field of Ayurvedic medicine, even if 100 trained nurses had been recruited under Western medical methods for the field of Ayurvedic medicine, it would not have been possible to achieve the objectives of the Act at the desired level.
- That the nurses receiving western nursing training are referred to work in Ayurvedic hospitals, but they are reluctant to get registered with the Ayurvedic Medical Council because they are registered with the Sri Lanka Medical Council. That a three-month full-time training has been started at NITM for Western nurses who come to work in Ayurvedic hospitals. That a letter has been sent to the Provincial Commissioners and Hospital Directors to collect information related to updating the information of pharmacists and registering those who are not registered in the Medical Council.
- Actions should be made to fulfill the objectives of the Act and immediate steps should be taken to remove the practical difficulties that make it impossible to do so.
- (iii) Section 19(1)(a)** Although Council should have appointed a registrar who should act as the secretary of the council and as the chief officer of the staff, but instead of appointing a registrar to that position on a permanent basis, recruitments had been made continuously on the contract basis and on the acting basis.
- That a registrar has been appointed for the full-time service of the Ayurvedic Medical Council on the approval of the council, and that the rules related to preparing the registrar recruitment procedure have been prepared and forwarded to the Government Printing Department on 07.02.2024 for publication in the Gazette. And accordingly, the Ayurvedic Medical Council's registrar recruitment procedure will be prepared and forwarded to the Management Services Department.
- This process has been going on for the past several years but not enough progress has been made so far. Urgent action should be taken as per Ayurveda Act.

**(b) Part VII of the Ayurveda
Act No. 31 of 1961**

Section 61	In the case of registration as an Ayurvedic doctor, the registrar should send a certificate of registration to that person by registered mail, but without taking the necessary measures according to the provision, 04 certificate awarding ceremonies were held at the expense of the council's funds.	As indicated in the audit query, the registrar and concerned officials were instructed to deal with the registration certificates in future as per Section 61 of the Ayurveda Act No. 31 of 1961. Also, according to the provisions of National Budget Circular 08/2022 dated 25.11.2022 and Public Enterprises Circular 04/2022 dated 08.08.2022, expenditure will be strictly controlled.	Registration certificates should be processed as per the provisions of the Act.
-------------------	--	---	---

**(c) National Audit Act No.
19 of 2018**

(i) Section 38(I)(c)	The chief counting officer and counting officer should ensure that an effective internal control system is developed and maintained for the financial control of the council, and the effectiveness of the system should be reviewed from time to time and necessary changes should be made accordingly to make the system effective, but in the year under review no such review had been conducted.	That the actions will be done according to the National Audit Act No. 19 of 2018, Section 38(I)(c).	Actions should be done according to the provisions of the Act.
---------------------------------	---	---	--

(ii) Section 38(2)	As per Section 38(I)(c) of the Act, the review should have been done in writing and a copy of the same should have been submitted to the Auditor General, but it was not done accordingly.	Actions will be done according to Section 38(2) of the National Audit Act No. 19 of 2018, Section 38(I)(c) of the Act.	Actions should be done according to the provisions of the Act.
(d) Code of Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
Financial Regulations 880 and 881	Officials who are receiving or in charge of government money, revenue, stamps or goods, or signing cheques should post a bond within two months from the date of their appointment or transfer to that position, but the necessary measures had not been taken to post the bond as per the said regulations.	That the relevant officers have arranged to deposit the bond in March 2024.	Must comply with Financial regulations.
(e) Government Procurement Guidelines 4.2.1	A master procurement plan had not been prepared listing the expected procurement activities for a period of at least 03 years.	That in accordance with Section 4.2.1 of the Code of Government Procurement Guidelines, a procurement plan will be prepared in the year 2024 to be effective from the year 2025.	A master procurement plan should be prepared as per government procurement guidelines.
(f) Ayurvedic Medical Council Rules published vide Gazette Special No. 1884/36	All doctors registered in the council should renew their registration once in 05 years, but by 31 December 2023, the council had not identified and implemented an	That those who do not renew the registration will not be considered as active practitioners and the registration will be renewed every 05 years and it will be informed by the print media and the Provincial Ayurvedic Commissioners.	Actions should be done as per published Ayurveda Medical Council rules. Appropriate mechanisms should be adopted to encourage registration and renewal of registration.

dated 15 October 2014 adequate formal system for renewing the registration of doctors who have exceeded 05 years. Accordingly, by 31 December 2023, 13,016 doctors had not renewed their registration.

That the list of those who have not renewed their registration has been prepared at the district level and a program has been started to refer them for renewal of registration by the Provincial Ayurvedic Commissioners and conducting mobile offices. And that the ministry has been requested in writing to include this in the duty list of the development officers working under the local medical Sector.

1.7 Cash Management

Audit Observation

At the end of each month of the year under review, the balance of the cash book was between Rs. Million 7 and 12 and Attention had not been paid to invest the balance money after remaining money for normal daily requirements.

Comments of the Management

In the year 2024, focusing on the monthly income of the Ayurvedic Medical Council, the necessary activities will be carried out to build investment assets..

Recommendation

Investment assets should be built for the future stable existence of the organization.

2. Financial Review

2.1 Financial Results

The operating result of the year under review was a surplus of Rs. 6,758,138 as compared to the corresponding surplus of Rs. 3,266,179 in the preceding year thus observing an improvement of Rs. 3,491,959 in the financial result. In the year under review, excluding government grants, the operating income compared to the previous year has been increased by Rs. 5,446,551 and this was mainly reason for this growth.

2.2 Analysis on Trends in the Main Items of Revenue and Expenditure

- (a) Excluding the government grants for salaries and allowances of the council, the income of the council which was Rs. 12,704,691 in the previous year had grown by Rs. 18,946,083 or 49 percent to Rs. 6,241,392 in the year under review.
- (b) The total expenditure of the council which was Rs. 16,638,511 in the previous year, had increased by Rs. 895,434 or 5 percent to Rs. 17,533,945 in the reviewed year. This was due to the 4 percent increase in the council's operating expenses compared to the previous year.

3. Operational Review
3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
<p>(a) The investigations of 37 complaints out of 244 complaints received in the years 2019, 2020, 2021 and 2023 regarding the professional misconduct of the registered doctors of the Ayurvedic Medical Council and those posing as unregistered Ayurvedic doctors had not been completed by 22 February 2023.</p>	<p>That certain complaints received for the Ayurvedic Medical Council are not received in a formal manner and are anonymous, without address or with wrong addresses, and because there is not enough information to further investigate those complaints, very few are left every year. Regarding the 17 remaining complaints related to the period 2019-2022, the complainants have not made any follow-up inquiries and since there is not enough information for the investigation, the Medical Council decided to shelve those complaints on 13.02.2024.</p>	<p>All complaints should be investigated and necessary further action should be taken and complete information should be maintained so that complaints can be followed up and progress can be evaluated in time. Follow-up should also be done on the actions taken regarding the complaints that were sent to the police.</p>
<p>(b) Under Section 18 (c) and (d) of the Ayurveda Act No. 31 of 1961, registration of names of persons as Ayurvedic nurses and registration of names of persons as Ayurvedic pharmacists is provided under the role of the Medical Council, but no information exists about such registered persons is included in the draft annual report.</p>	<p>Under Section 18(c) and (d) of the Ayurveda Act No. 31 of 1961, information on the registration of Ayurvedic nurses and pharmacists will be included in the annual report submitted to Parliament.</p>	<p>Arrangements should be made to include information on the registration of names of persons as Ayurvedic nurses and registration of names of persons as Ayurvedic pharmacists in the annual report.</p>

3.2 Operational Inefficiencies

Audit Observation	Comments of the Management	Recommendation
(a) As of 31 December 2023, it was reported that the number of registered doctors in the Medical Council was 27,205 and the number of deaths was 4,024, but no system was implemented to obtain accurate information about the deceased traditional doctors. Furthermore, it was observed that there is a possibility of misusing the registration certificates of deceased doctors as there was no system of announcing the cancellation of the registration to the public.	In order to get the support of the development officers working under the local medical division of the Ministry of Health to renew the registration and report the information about the deceased doctors to the Medical Council, the Ministry has been notified in writing to carry out the necessary activities to include the matter in the duty list of the development officers..	Up-to-date and accurate statistics should be maintained for appropriate and accurate decision-making.
(b) It was estimated to collect an income of Rs. 1,880,280 by renewing the registration of 1139 doctors registered from the year 2014 to 2018 for the first time in the year under review, but the council had failed to renew the registration of 672 doctors and collect an income of Rs. 1,097,280.	That the registration of the registered doctors who have not renewed their registration from 2015-2018 submitted with the final account of the year 2023 will be completed in the year 2024 and accordingly it will be possible to earn the relevant income.	The registration of the doctors who were registered from 2015-2018 but have not been renewed so far should be renewed and arrangements should be made to collect the arrears of income immediately.
(c) According to Section 20 (1) of the Ayurveda Act No. 31 of 1961, the Ayurveda Medical Council is a statutory corporation, so the financial control is carried out in accordance with the Finance Act No. 38 of 1971, but the Governing Council did not focus on establishing an accounting unit with	That the services of the Chief Accountant of the Department of Ayurveda have been engaged since 1997 to keep the accounts of the Ayurvedic Medical Council up-to-date. According to Council Paper No. 20/02/05 dated 27.11.2018, although discussions were held with the Department of Management Services	Attention should be given to establishing an accounting unit with formal oversight.

formal supervision and the accounting work of the Council was not up-to-date. In order to maintain the Ayurveda Department, the Chief Accountant had taken the support regarding the creation of a separate accountant post for the Ayurvedic Medical Council, an accountant post has not been approved separately, but further work is being done to approve an accountant post.

- (d) Advances of Rs. 292,100 had been issued on 06 occasions in the name of the chairman, who is not an officer of the council, and thus the interference of the chairman directly in the financial transactions of the council is observed as a point of controversy. The Commissioner General of Ayurveda is the ex officio Chairman of the Ayurvedic Medical Council and is also the Accounting Officer of the Ayurvedic Medical Council. Also, since the registrar is the only officer of the Ayurveda Medical Council who can receive advances, the registrar has also received advances, and when another advance is required before settling the same advance, advances have been received in the name of the chairman. According to the rules and regulations, arrangements should be made to prepare a formal arrangement regarding advance payment.
- (e) According to decision number 17.19 of the report of the first meeting of the 17th Ayurveda Medical Council held on 30 June 2011, it was decided to give the money proceeds from the sale of the question papers related to the written examination for the registration of traditional Ayurvedic doctors to the Medical Council Welfare Association. Accordingly, the money obtained from the sale of question papers should be credited to a specific income account, after deducting the expenditure incurred to generate said income, and paying a certain amount decided by the Council to That the revenue received by issuing a bill for the sale of question paper sets has been credited to the account of the Society. According to the approval given for the welfare of the staff of the Ayurveda Medical Council, which has very few staff, a system of providing income welfare to the association will be prepared in a transparent manner. The decision of the council should be acted upon in a transparent manner.

the Welfare Association and carrying out the said transactions under the financial control and supervision of the Council, actions had not been done according to the correct and transparent method. However, the welfare association had issued informal receipts to the service candidates of the council and directly sold the question papers and credited Rs.211,650 earned in the year under review to the welfare association's bank account.

4. Accountability and Good Governance

4.1 Strategic Plan

Audit Observation	Comments of the Management	Recommendation
The strategic plan to be prepared according to paragraph 2.3 of the guidelines on corporate governance for public enterprises introduced according to paragraph 02 of the Public Enterprises Circular No. 01/2021 dated 16 November 2021 had not been prepared according to the provisions.	That the strategic plan will be prepared in accordance with guidelines 2.3 of the guidelines on corporate governance for public enterprises .	To prepare the strategic plan, public enterprises should follow the guidelines on corporate governance.

4.2 Annual Action Plan

Audit Observation	Comments of the Management	Recommendation
(a) The guidelines on corporate governance for public enterprises introduced in accordance with paragraph 02 of the Public Enterprises Circular No. 01/2021 dated 16 November 2021, the annual action plan for the year 2023 to be prepared in accordance with paragraph 2.3, goals, objectives, strategies, cost estimates, had not been included in the annual action plan. Also, although the timeline of the action plan was prepared on a monthly basis, its physical targets had not been expressed in percentage terms and financial targets had not been stated in rupees.	That the actions are done according to guidelines 2.3 on the corporate governance for public enterprises	The action plan should be prepared in accordance with the guidelines mentioned in the circular.

- (b) According to the annual action plan, no system was prepared to report the progress on a quarterly basis, and performance indicators were established to evaluate the work of the activities such as conducting examinations for the registration of Ayurvedic doctors, traditional Ayurvedic doctors, Ayurvedic nurses and herbalists, issuing examination results, etc. and had not arranged to do reviewing the performance..
- The Ayurveda Medical Council focused on the planning of activities necessary to establish performance indicators and accordingly, the acceptance of applications from the applicants who are expected to be registered as traditional doctors from the year 2022 will be from March 01 to June 30, and the interviews will be held from July 01 to December 31. It is also planned to be held in August and included in the action plan.
- Performance indicators should be established and reviewed to evaluate the performance of the planned actions.
- (c) It was observed that out of 50 activities to be performed according to the action plan prepared for the year under review, 14 activities or 25 percent could not be performed in the year under review.
- That 25 percent of the planned activities have not been implemented as in the year 2023, the Ayurvedic Medical Council was amended three times and the 23rd Medical Council was not appointed for almost 04 months.
- The annual action plan should be prepared as realistically as possible and focus more on the progress of the activities included in it.
- (d) According to the action plan, the physical progress of registering the names of Ayurvedic nurses and Ayurvedic physicians in the reviewed year was 100 percent, but the necessary measures were not taken to register the nurses after 02 June 2020 and the Ayurvedic physicians after 24 September 2019.
- That although the necessary activities to register nurses and physicians have been planned, the registrations have not been done due to non-submission of applications. According to that, 100 percent progress has been mentioned based on an omission and that will be corrected in the year 2024.
- The annual action plan should be prepared as realistically and accurately as possible.

4.3 Internal Audit

Audit Observation	Comments of the Management	Recommendation
(a) Although there should be an internal auditor who is appointed by the Board of directors to be audited in terms of Section 40 of the National Audit Act No. 19 of 2018, the Ayurvedic Medical Council has not appointed an internal auditor, so it was observed that there has not been an adequate internal audit in the year under review.	The internal audit of the Ayurvedic Medical Council will be conducted by the Internal Audit Division of the Department of Ayurveda and the creation of an Internal Auditor post for the Ayurvedic Medical Council will be brought to the attention of the Ayurvedic Medical Council. Thus, until the commencement of work, the activities of the Ayurvedic Medical Council will be included in the audit plan prepared by the Internal Audit Division of the Department of Ayurveda.	Internal audit of Ayurvedic Medical Council should be regularized
(b) An internal audit program related to the council's financial affairs has been prepared and internal audit activities should be conducted accordingly, but only one activity was planned to be audited in the Ayurveda department's internal audit plan in the reviewed year and only one internal audit report was issued.	That the activities of the Ayurvedic Medical Council will be included in the audit plan prepared by the Internal Audit Division of the Department of Ayurveda.	An internal audit program should be prepared in relation to the council's financial affairs and internal audit activities should be carried out accordingly.

4.4 Audit Committee

Audit Observation	Comments of the Management	Recommendation
According to Public Enterprises Circular No. 01/2021 dated 16 November 2021, and in accordance with Guideline No. 4.2 of the Code of Guidelines on Corporate Governance for Public Enterprises, although the Council was supposed to hold 04 Audit Committee meetings for the 04 quarters of the year under review, only 02 meetings had been held.	That arrangements have been made to hold the audit committee meeting in the months of March, June, September and December 2024 to resolve this issue in the year 2024.	Actions should be done as per the circular.

4.5 Budgetary Control

Audit Observation	Comments of the Management	Recommendation
(a) In the year under review, the actual expenditure exceeded the estimated provision for recurrent expenditure in 04 expenditure subjects and it ranged from 14 percent to 44 percent. Also, Rs. 23,950 had been spent to buy furniture and office equipment while no provision was made for the acquisition of capital assets. Accordingly, it was observed that the budget was not used as an effective financial control tool.	According to National Budget Circular 05/2022 no provision has been set aside for the acquisition of capital assets, as per the decision of the Medical Council on 08.11.2022, government allocations cannot be obtained for the purchase of goods and office equipment, but it can be done from the income of the Ayurvedic Medical Council and the data of the Medical Council has been protected. That the relevant purchase was made at the expense of Rs. 23,950 due to the necessity of purchasing an external hard disk for the purpose.	Actions should be made to use the budget as an effective financial control tool.
(b) In the year under review, the employee loan advance maximum expenditure limit was approved as Rs.1,200,000 but the actual employee loan payment was Rs.1,573,000 and exceeded the estimated limit by Rs.373,000.	In the year 2024, the approved spending limits will be worked on. And that an analysis of the cost estimates will be done semi-annually.	Employee loan advances should be processed within the maximum expenditure limit.
(c) According to paragraph (c) of Budget Circular No. 01/2023 dated 27 January 2023, the management did not focus on planning and implementing strategies to reduce recurring and operational expenses of the council by introducing methods such as the use of information communication technology, digitization, online services etc.	That in the year 2024, the attention of the council will be focused on this.	The provisions of the circular should be followed.
(d) It was observed that the income of the council had been estimated without	Due to the increase in the number of applications submitted for registration in the year 2023 and the	The income of the council should be properly reviewed and estimated realistically

proper realistic and prudent review due to the fact that in the reviewed year, the actual income had exceeded the estimated income of 06 income sources and it ranged from minus 51.67 to plus 341.75 percent.

increase in the number of files referred to the oral examination, a large number of registered doctors applying to go abroad, the increase in the fixed deposit investment interest rate due to the change in the government's banking policy. That the estimated revenue was able to generate more revenue and that in the year 2024 these revenue estimates will be re-analyzed semi-annually.

and prudently .

4.6 Sustainable Development Goals

Audit Observation	Comments of the Management	Recommendation
<p>According to the United Nations 2030 “Agenda” for Sustainable Development, every government institution has to deal with it, but in relation to the year under review, the council did not have sufficient understanding of how to implement the tasks under its scope. Accordingly, according to the United Nations 2030 agenda, the sustainable development goals, goals and milestones to be reached and the indicators for measuring the progress on the goals had not been identified.</p>	<p>According to the United Nations 2030 Agenda for Sustainable Development, the members of the Ayurvedic Medical Council have been informed about the issues that come under the Ayurvedic Medical Council and are working to prepare programs to be implemented.</p>	<p>Measures should be taken to identify targets, indicators and measure progress in relation to achieving sustainable development goals.</p>