

Sri Lanka Medical Council - 2023

1. Financial statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Medical Council for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of comprehensive income, statement of changes in equity, and cash flow statement for the year then ended and notes to financial statements 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 in Parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph Basis for Qualified Opinion of this report, the financial statements give a true and fair view of the financial position of the Council as at 31 December 2023, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified 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 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 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 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 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:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design 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 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 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 Council;
- Whether the Council has performed according to its powers, functions and duties;
- 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 the Preparation of Financial Statements

1.5.1 Non-compliance with Sri Lanka Accounting Standards

Non-compliance with Reference to the Relevant Standard	Comment of the Management	Recommendation
(a) According to Sri Lanka Accounting Standard 01, the fixed deposits the maturity period of which is 01 year, should be shown under current assets in the statement of financial position. However, the sum of US \$ 23,500 (Rs. 7,612,198) being the balance of fixed deposit with a maturity period of one year, and the cost of Treasury bills amounting to Rs. 268,474,357, had been shown under non-current assets.	Agreed, and corrective measures will be taken in the year 2024.	Sri Lanka Accounting Standards should be followed.
(b) According to Paragraph 16 of Sri Lanka Accounting Standard 07, cash in-flows and cash out-flows relating to fixed deposits and Treasury bills should be indicated separately. However, the values of Rs. 120,553,831 and Rs. 67,267,881 being the net changes in fixed deposits and Treasury bills respectively, had been adjusted as cash out-flows.	Agreed. Action will be taken in the year 2024 to show the acquisition of investments and removals separately.	Sri Lanka Accounting Standards should be followed.

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| (c) | The measurement bases used for determining the gross carrying amount of Property, Plant and Equipment should be disclosed in terms of Paragraph 73 (a) of Sri Lanka Accounting Standard 16. However, it had not been so disclosed by the Medical Council. | Agreed. | Sri Lanka Accounting Standards should be followed. |
| (d) | The useful life of Property, Plant and Equipment should be reviewed in terms of Paragraph 61 of Sri Lanka Accounting Standard 16. However, due to failure in doing so, the net book value of assets costing Rs. 20,277,964 still in use, had become zero as at 31 December 2023. | Agreed. | Sri Lanka Accounting Standards should be followed. |
| (e) | Employee benefits recognized as a commitment in the statement of financial position, should have been shown to the present value in terms of Paragraph 54 of the Sri Lanka Accounting Standard 19. However, it had not been so done. | Agreed. Action will be taken in due course to account for gratuity in terms of Paragraph 57 of Sri Lanka Accounting Standard 19. | Sri Lanka Accounting Standards should be followed. |

1.5.2 Accounting Deficiencies

Audit Observation	Comment of the Management	Recommendation
The assets of Toshiba Color MFP e-Studio 2510 Air Conditioner worth Rs. 1,720,000 received by the Accreditation Division of the Medical Council as a donation from the World Health Organization on 03 October 2022 and 65 Smart Boards worth Rs. 2,745,000 each costing Rs. 1,025,000, had not been shown in the financial statements, nor had those values been included in the Register of Fixed Assets as well.	Agreed. Donations will be brought to accounts as per your observation.	Corrective measures should be taken on this deficiency.

1.6 Non-compliances with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules and Regulations, etc.	Non-compliance	Comment of the Management	Recommendation
(a) Section 6 (2) (a) of the Payment of Gratuity Act No. 12 of 1983.	A workman shall be entitled to receive as gratuity a sum equivalent to half a month's wage or salary for each year of completed service computed at the rate of wage or salary last drawn by the workman. Nevertheless, it had been decided by the Management Committee of the Sri Lanka Medical Council on 15 November 2007 that gratuity be paid equivalent to one month per year and Council allowance should be disregarded in computing the monthly salary.	Agreed. Gratuity had been computed in accordance with the decision of the Management Committee as mentioned in the audit query. Corrective measures will be taken in due course as per your observation.	Action should be taken in accordance with provisions of the Act.
(b) Section 23 (1) (a) of the Right to Information Act No. 12 of 2016.	An Information Officer had not been appointed for the Council.	Not replied.	Action should be taken in accordance with provisions of the Act.
(c) Section 1.1 of Chapter XXVIII of the Establishments Code of the Democratic Socialist Republic of Sri Lanka.	The normal duty hours for Government officers on all working days should be from 8.30 am to 4.15 pm unless otherwise stated. However, the normal duty hours for officers of the Council were from 9.00 am to 4.15 pm.	Not replied.	Action should be taken in accordance with provisions of the Establishments Code.
(d) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.			

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| (i) Financial Regulation 135. | An accounting Officer may delegate his functions either generally or with regard to individual transaction; in such an instance, the Financial Regulation 135 (4) should be followed. Nevertheless, the Council had not delegated the financial authority relating to incurring expenses. | Agreed. The Sri Lanka Medical Council decided to function as a state institution in late 2023, and hence a grace period is required to fully adapt to Financial Regulations. Necessary action will be taken in due course relating to the delegation of financial powers. | Action should be taken in accordance with Financial Regulations. |
| (ii) Financial Regulation 257. | All vouchers should be certified before they are presented for payment to a Paying Officer. It is the duty of every officer passing a voucher for payment or making payment thereon, to see that a voucher accepted for payment has been duly certified by an officer who has been authorized to do so. However, according to the sample check on payment vouchers of the Council, payments had been made in favor of uncertified vouchers valued at Rs. 6,922,850 in 22 instances. | Agreed. Payments are made at present only for the certified vouchers. | Action should be taken in accordance with Financial Regulations. |
| (iii) Financial Regulation 386 (6) | All cheques must be made payable to order and be crossed. The specific authority of a Staff Officer is required for the purpose of issuing an open cheque. However, the Council had issued cash cheques valued at Rs. 14,994,066 in 90 | Agreed. The Council, at present, makes payments through open cheques only for reimbursing petty cash. Furthermore, action will be | Action should be taken in accordance with Financial Regulations. |

		instances contrary to that Regulation.	taken in due course to issue the cheques to the officers responsible for petty cash.	
(e)	Public Finance Circular, No. 01/2020 dated 28 August 2020.	An annual survey had not been conducted and a copy of the survey had not been presented to the Auditor General .	Not replied	Action should be taken in accordance with provisions of the Circular.
(f)	The operations manual issued by the Department of Public Enterprises on 16 November 2021.			
(i)	Paragraph 3.1	Approval of the Treasury should have been obtained on the staff, but it had not been so done by the Medical Council.	Not replied.	Action should be taken in accordance with provisions of the operations manual.
(ii)	Paragraph 3.2	Approval of the Department of Management Services should have been obtained on the number of cadre, Scheme of Recruitment, salary scales, and allowances. However, it had not been so done.	Not replied.	Action should be taken in accordance with provisions of the operations manual.
(iii)	Paragraph 3.3	A strategic plan on human resources should have been prepared by including the staff requirements of each division and organizational structure. However, the Council had not done so.	Not replied.	Action should be taken in accordance with provisions of the operations manual.

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| (iv) Paragraph 3.4
(i) | A Scheme of Recruitment and Promotion inclusive of job description, professional/academic qualifications, experience and age, had not been prepared under approval of the Department of Management Services. | Not replied. | Action should be taken in accordance with provisions of the operational manual. |
| (v) Paragraph 3.6 | The Council should have introduced an effective performance evaluation system based on strategic plan and action plan whilst productivity of each officer should be evaluated by the immediate supervising officer. Nevertheless, annual salary increments had been paid for the officers recruited on contract or permanent bases to the Council without evaluating their performance. | Not replied. | Action should be taken in accordance with provisions of the operations manual. |
| (vi) Paragraph 6.6 | The annual report including the annual financial statements should be tabled in Parliament along with the audit report within a period of 05 months since the closure of the year of finance. Nevertheless, the annual reports of the years 2021 and 2022 had not been tabled in Parliament until 25 March 2024. | Not replied. | Action should be taken in accordance with provisions of the operational manual. |

(g) Guidelines issued by the Department of Public Enterprises on 16 November 2021.

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| (i) Paragraph 2.3 | A strategic plan, action plan, and an annual budget should be prepared and approval of the Board of Governance should be obtained thereon before being presented to the Director General of the Department of Public Enterprises through the Secretary to the Line Ministry. However, it had not been so done. | Not replied. | Action should be taken in accordance with provisions of the Guidelines. |
| (ii) Paragraph 7.5 | An institution should prepare performance reports quarterly, half-yearly and annually; and the performance reports should be presented to the relevant Line Ministry and the Department of Public Enterprises. Nevertheless, the Council had not prepared and presented the performance reports. | Not replied. | Action should be taken in accordance with provisions of the Guidelines. |
| (h) Public Enterprises Circular, No. PED/04/2023 dated 11 December 2023. | Under the approval of the Board of Governance, a sum of Rs. 1,616,661 had been paid in April and December to the employees/officers of the Council for the year 2023 as bonuses equivalent to either half of the salary or entire salary. Approval of the Treasury had not been obtained on those payments. | Not replied. | Action should be taken in accordance with provisions of the Circular. |

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| (i) | Paragraph II of the Management Services Circular No. 03/2018 dated 18 July 2018. | The Board of Governance is not authorized to decide on the salaries and allowances, and prior approval of the Department of Management Services of the Treasury should be obtained on all the allowances paid additionally. Nevertheless, following decisions taken by the Board of Governance on 23 February 2018 and 20 April 2022, approval had been given to pay a monthly allowance of Rs. 18,700 to all the employees comprising sums of Rs. 8,700 and Rs. 10,000. | Not replied. | Action should be taken in accordance with provisions of the Circular. |
| (j) | Guideline 4.2 of the Government Procurement Guidelines. | An entity should prepare a main Procurement Plan including the procurement activities envisioned for at least 03 years. Although a Procurement Plan had been prepared by the Council, the Plan only focused on the year under review. | Agreed, corrective measures will be taken in due course. | Action should be taken in accordance with provisions of the Government Procurement Guidelines. |

2. Financial Review

2.1 Financial Results

The operating result of the year under review was a surplus of Rs. 200,262,651 as compared to the corresponding surplus of Rs. 280,427,245 for the preceding year, thus observing a deterioration of Rs. 80,164,594 in the financial result. This decline had mainly been attributed by the decrease in income.

3. Operating Review

3.1 Management Inefficiencies

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| (a) | According to Section 70 of the Medical Ordinance, all the fees stated thereunder | Agreed. Action will be taken in due course to | Action should be taken in accordance |

shall be increased or decreased through regulations from time to time. Nevertheless, 09 categories of fees mentioned in the Ordinance had been revised in several instances by the year 2023, but the regulations in that connection had not been approved and published in the Gazette.

prepare the relevant regulations and publish in the Gazette with provisions of the Act.

- (b) Regulations should be prepared for the following matters in accordance with Section 19 of the Medical Ordinance No. 26 of 1927. However, no regulations had been prepared accordingly.

The Council shall take action in due course either to make new regulations or amend the existing regulations. Action should be taken in accordance with provisions of the Act.

Reference to the Ordinance	Matter
19 (c)	Removal, suspension and appointment of officers to the Medical Council.
19 (d)	Accounting for receipts and expenses, and conducting audits on such accounts.
19 (e)	Standards relating to courses, examinations, staff, equipment, accommodation, training and other facilities of universities or other institutions granting any qualification which entitle a person to register under this Ordinance including the maintenance of minimum standards of medical education.

19 (f) To maintain minimum standards for post graduate qualifications in medical education provided by universities and other institutions.

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| (c) | Directives on the recovery of fees for matters not specifically mentioned in the Ordinance, should be prepared and published in the Gazette thereby obtaining approval of Parliament . Nevertheless, approval of Parliament had not been obtained in 50 instances on fees charged by the Council under registrations and service fees which had not been specifically mentioned in the Ordinance. | Agreed. Action will be taken in due course to prepare the relevant regulations and obtain Parliamentary approval. All the fees charged by the Medical Council have been mentioned in our website along with the applications. | Approval of Parliament should be obtained for the collection of revenue. |
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3.2 Operating Inefficiencies

Audit Observation	Comment of the Management	Recommendation
(a) Section 26 of the Ordinance stated that registers containing data on registrations with the Council should be maintained accurately and in an up-to-date manner and a person's name, shown in the register, should be removed once he was deceased. However, the procedure through which the name of such a person was removed from registers, was not made available to the Audit.	The relevant information and registers should be maintained in accordance with Section 26 of the Ordinance. The procedure through which the name of such a person was removed from registers, was not made available to the Audit.	Action should be taken in accordance with provisions of the Ordinance.
(b) It is the vision of the Council to ensure that patients are treated and cared for by competent, humane, ethical and safe healthcare professionals, whilst the	Not replied.	Action should be taken to encourage the participation in the meetings of the

mission thereof is to protect , promote, and maintain the health and safety of the public by setting, maintaining and raising standards of education and practice of healthcare across the country. As such, the governing body of the Council comprising 34 members appointed to execute the functions of the Medical Council of Sri Lanka, had hold 13 meetings in the year 2023, and there were only 07 meetings for which over 80 per cent of the members who should take part therein, had participated in the meetings.

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| (c) | The Council had implemented 15 sub-committees in the year 2023 with respect to the functions of the Council such as, development of regulatory practices and systems to ensure a safe and productive health service by the health service professionals, development of tools to achieve the professional education in health service, verification of standards by accrediting the local and foreign courses of studies with transparency, and maintaining the discipline of health workers. It was revealed in the sample audit that the 15 sub-committees of the Council had conducted meetings in which the member participation remained as lows and 02 and as high as 16. Furthermore, participation of the members in those sub-committees remained dissatisfactory. | Not replied. | Action should be taken to encourage the participation in the meetings of the sub-committees. |
| (d) | Registrations are done by the Medical Council with respect to posts in terms of the following 09 Sections of Medical Ordinance No. 26 of 1927. The following matters were observed in the audit conducted in that connection. | | |

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| (i) | A separate database was not used for the specialist medical practitioners and dental specialists registered under Section 39 B ; instead, such data had been recorded in the main database. | The SLMC database is being updated and will soon be improved. | The database should be maintained in a manner that all the registration data is included. |
| (ii) | Observed were the deficiencies such as, inability to enter the telephone number and email address of the officer to the registration database as at 31 December of the year under review; inability to find the old name by including the new name in the event of changing the name of an officer; lack of facilities to enter the specialty of medical practitioners; lack of facility to enter the additional qualifications and dates of earning such qualifications; dates of renewal of registration not being mentioned; inability to retrieve certain information after being sorted under universities or foreign medical degrees as data was stored in Word document format in the system; and, inability to retrieve information as to whether the registration of officers was active or inactive. | - Do. | All crucial data should be entered and the database should be maintained in an up-to-date manner. |
| (e) | Website of the Council had not been maintained by fulfilling all the requirements mentioned in Paragraph 6-11 of the operations manual of the Department of Public Enterprises dated 16 November 2021 and Paragraph 3-1 of the Guideline of the Department of Public Enterprises dated 16 November 2021. | The SLMC is currently developing an improved trilingual website. Action has already been taken to enter into an agreement with the Sri Lanka Telecom. | Action should be taken to maintain a user-friendly website. |

3.3 Transactions of Contentious Nature

Audit Observation	Comment of the Management	Recommendation
<p>A sum of Rs. 2,240,274 had been paid by the Council to LOLC Company for implementing a medical insurance scheme for the staff during the period from 15 June 2023 to 15 June 2024, but no contribution fee whatsoever had been charged from employees of the Council. It was observed that the total expenditure was incurred by the Council sans approval of the Treasury. In addition to this medical insurance scheme, a different medical insurance scheme was also in place under the basis that a maximum of Rs. 10,000 would be spent per officer to reimburse medical bills from the funds of the Council. This insurance scheme too had not been approved by the Treasury.</p>	<p>Agreed. Action is being taken to recover employees' contribution for the insurance scheme scheduled to be renewed. Action will be taken in due course to obtain approval of the Treasury.</p>	<p>The necessary approvals should be obtained formally.</p>

3.4 Human Resource Management

Audit Observation	Comment of the Management	Recommendation
<p>(a) The cadre approved by the governing body of the Medical Council was 68 whereas the actual cadre was 46 as at 31 December 2023 as per the information furnished to the Audit. Accordingly, a shortage of 23 cadre was observed but no action had been taken either to fill vacancies in the essential posts or suppress unnecessary posts.</p>	<p>The information furnished to the Audit was based on the card filled by the SLMC as at 2023.12.31. The number of cadre approved by the Council as mentioned in the annual report of the year 2022, was based on the report of EY. SLMC has taken action to fill the 63 vacancies with the approval of DMS in October 2023. Vacancies had not been filled during the transitional period.</p>	<p>Action should be taken to fill vacancies in essential posts and suppress the non-essential posts.</p>

- (b) Appointments to 07 key positions in executive and managerial level of the Council had been made either on contract basis of part time basis. It was revealed that failure in appointing officers permanently to those posts would cause an unfavorable impact on the decisions taken by the Council.
- Vacancies in key positions had been filled on contract basis since the inception of the Council. It is impractical to make permanent appointments with qualified persons to such positions due to limited salaries entitled thereto. In some instances, vacancies in key positions had been filled on part time basis with persons already holding permanent positions in universities / other institutions.
- Attention should be brought thereon when approving the new staff and the Scheme of Recruitment.
- (c) Officers had not been recruited even up to the date of audit on 22 May 2024 for 10 new posts approved by the governing body in the years 2022 and 2023. Moreover, an officer had been recruited on assignment basis since 31 May 2019 to the post of Preliminary Procedure Committee Coordinator which had not been approved by the governing body, and a salary of Rs. 100,000 had been paid to him.
- Those new posts had been approved by the SLMC based on reports of the EY. However, opinion of the Attorney General's Department had been received in late 2023 following our request. The SLMC was classified as an enterprise of the Government, and then the SLMC began to follow the relevant laws and rules of the Government. We agree that the post of Coordinator had not been approved by the Council in the year 2019. Nevertheless,
- All the recruitments should be made in accordance with the formal Scheme of Recruitment.

that post was approved by the Council at the beginning of the year 2024 following the opinion of the Attorney General's Department. Later, the letter of appointment had been issued to the Coordinator for a period of 03 months on assignment basis. Future recruitments to the Council will be made in accordance with the formal Scheme of Recruitment.

- (d) It was observed in examining the salaries paid to the staff for the year 2023 that recommendations of the National Salaries and Cadre Commission had not been implemented. Action is being taken to seek the opinion of the Attorney General's Department to make salary scales and structures relating to approved cadre of the SLMC and Scheme of Recruitment. The procedure of formalizing the number of employees and salary structure has been started. The number of employees and salary structure should be formalized.
- (e) In the event that the Sri Lanka Medical Council is deemed as a Corporation in terms of Paragraph 05 of the Letter No. NSCC/8/13/402/S of the Secretary to the National Salaries and Cadre Commission, Circulars of the Management Services issued with respect to salaries of the Public Corporations should be made relevant whilst this salary scale should be provided The SLMC is involved in the process of getting approval for salary scales of the public enterprises. This issue will be sorted out in due course. The number of employees and salary structure should be formalized.

for the existing officers on personal to the holder basis, and the salary scales of the public Corporations should be granted to the employees recruited in the future. Nevertheless, the Council had not followed those instructions even by May 2024.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Comment of the Management	Recommendation
An Internal Audit Unit should have been established in terms of Paragraph 4.4 of the Guidelines issued by the Department of Public Enterprises on 16 November 2021, but it had not been so done by the Medical Council.	Not replied.	Action should be taken in accordance with provisions of the Circular.

4.2 Audit Committee

Audit Observation	Comment of the Management	Recommendation
Four meetings of the Audit and Management Committee should be held per year at one session per quarter in terms of Audit and Management Circular No. DMA/1-2019 dated 12 January 2019. Nevertheless, the Council had not conducted at least one meeting in the year under review.	Not replied.	Action should be taken in accordance with provisions of the Circular.