

## **Homeopathy Medical Council - 2013**

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The audit of financial statements of Homeopathy Medical Council for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the statements of financial performance and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971. My comments and observations which I consider should be published with the Annual Report of the Council in terms of Section 14(2)(c) of the Finance Act appear in this report.

### **1.2 Management's Responsibility for the Financial Statements**

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Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal controls as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

### **1.3 Auditor's Responsibility**

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My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000- 1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub - sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and the extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**1.4 Basis for Qualified Opinion**

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My opinion is qualified based on the matters described in paragraph 2.2 of this report.

**2. Financial Statements**

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**2.1 Qualified Opinion**

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In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Homeopathy Medical Council as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

**2.2 Comments on Financial Statements**

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**2.2.1 Accounting Deficiencies**

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The following observations are made.

- (a) The provision made in respect of the Medical Council meeting fees, staff allowances and salaries and audit fees for the year under review had been understated by a sum of Rs.66,859.
- (b) Expenditure of recurrent nature amounting to Rs.27,020 had been considered as capital expenditure and brought to account as buildings and rehabilitation.

**2.2.2 Non-compliance with Laws, Rules, Regulations and Management Decisions**

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The following non-compliances were observed.

**Reference to Laws, Rules, Regulations, etc.**

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- (a) Financial Regulation 756
- (b) Financial Regulation 395(c)

**Non-compliance**

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A Board of Survey of the Medical Council for the year under review had not been conducted.

Even though a Bank Reconciliation of the transactions at the end of each month should be prepared before the fifteenth day of the month following it had not been so done.

**3. Financial Review**  
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**3.1 Financial Results**  
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According to the financial statements presented, the operating results of the activities of the Council during the year under review amounted to a deficit of Rs.59,858 as compared with the corresponding deficit of Rs.29,305 for the preceding year, thus indicating a further deterioration of the financial results by a sum of Rs.30,553.

**3.2 Legal Actions against the Council**  
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Three external institutions (Groups) had filed 03 cases in the Courts against the Council claiming compensation totalling Rs.3,200,000 for the dissolution of the Medical Council, dismissal from service and termination of service.

**4. Operating Review**  
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**4.1 Performance**  
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The following observations are made.

- (a) In view of the non-existence of a legal Medical Council it had not been possible to achieve the following objectives spelt out in Section 22 of the Homeopathy Act, No. 7 of 1970.
  - (i) Encouraging researches and studies for the Homeopathy Medical System.
  - (ii) Formulation of regulations for the production, import, sale and distribution of Homeopathy drugs.
  - (iii) Even though a building had been constructed in the year 2008 and furniture had been supplied in the year 2009 for the establishment of a Homeopathy Medical College, steps had not been taken even by 31 December 2013 for the formulation of the legal framework for the commencement of academic activities.
- (b) Out of the 07 medical clinics maintained in 07 areas of the Inland, the patient attendance had decreased by 8 per cent in the Parakaduwa Clinic, 13 per cent in the Moneragala Clinic and 9 per cent in the Kurunegala Clinic.

**(c) Registration of Physicians**

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- (i) One hundred and ninety one physicians had been registered up to the dissolution of the Medical Council on 31 January 2011.

Five Physicians had been registered again in the year 2013 on the recommendation of the Interim Committee. The details thereon are given below.

Section of the Act relating to the Registration	Details	Number of Physicians Registered		
		31 December 2011	31 December 2012	31 December 2013
Homeopathy Act, No. 7 of 1970				
(i) 27(1)(a)	Should have followed a Course on Homeopathy not less than 04 years.	54	54	54
(ii) 27(1)(b)	Obtained a Diploma Certificate or a Degree Certificate from a recognized Homeopathy Institution in Sri Lanka or a foreign country.	-	-	05
(iii) 27(1)(c)	Physicians who had been engaged in Homeopathy Medical Profession for a period not less than 10 years and recognized by the Council.	35	35	35
(iv) 27(2)	Physicians who had been engaged in the Medical Profession for a period not less than 03 years who have obtained qualifications by sitting a written Examination conducted by the Council.	50	50	50
(v) 27(5)	Grant of Registration to the Physicians whose names are in the Temporary List after sitting a Written Examination.	52	52	52
		191	191	196

Out of the above 196 Physicians registered 38 Physicians had died by 31 December 2013.

- (ii) Even though the registration of Physicians on a Degree Certificate issued by a recognized Homeopathy Institution in a foreign country had not been done previously, 05 Physicians had been registered under the Indian Degree Certificate in the year under review.

#### **4.2 Management Inefficiencies**

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Even though the formulation of a set of General Orders for seven Medical Clinics had been decided at the meeting of the Interim Committee held on 05 January 2012 action thereon had not been taken even by 31 December 2013.

#### **4.3 Idle Assets**

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Fixed assets valued at Rs.1,199,254 purchased in the year 2009 for the Homeopathy Medical College and the building belonging to the Ministry had been idling even by 31 December 2013.

### **5. Accountability and Good Governance**

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#### **5.1 Presentation of Financial Statements**

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The Homeopathy Medical Council functioned in the year 2013 under and Interim Committee and all the expenditure of the Council had been incurred by the Ministry of Indigenous Medicine under its Head. As such, the financial statements had been prepared by considering a sum equivalent to all expenditure incurred by the Ministry as a grant given to the Medical Council.

#### **5.2 Corporate Plan**

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Even though the copies of the updated Corporate Plan should have been furnished to the relevant Ministry, the Department of Public Enterprises of the Treasury and the Auditor General 15 days before the commencement of the financial year in terms of Section 5.1.3 of the Public Enterprises Circular, No. PED/12 of 02 June 2003 the updated Corporate Plan for the years 2013 to 2017 had been completed only in July 2013. It had not been furnished to the institutions referred to above.

#### **5.3 Action Plan**

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The progress on the achievement of the objectives of the Action Plan as at 31 December 2013 had been as follows.

- (a) Even though the conduct of 15 mobile clinics for the build up of the public confidence to provide proper recognition to the Homeopathy Medical System had been planned only 07 clinics had been conducted.

Even though plans had been made for organizing 05 discussions and seminars and 05 school programmes with a view to promoting confidence in the people who obtained and did not obtain treatment, those had not been carried out. Even though plans had been made for organizing 05 discussions and seminars to promote cordiality and co-operation among the Physicians that as well had not been carried out.

- (b) Even though it was expected to obtain the approval of the Parliament and the relevant Minister for the laws and rules for activating the Homeopathy Medical Council through the implementation of provisions of the Homeopathy Act and for publication in the Gazette, that objective as well had not been achieved even by 31 December 2013.
- (c) Even though the setting up of the Homeopathy Public Health Service had been planned, that as well had not been achieved.
- (d) Even though the formulation of by-laws, recognition and the establishment of the Homeopathy Medical College had been planned for producing Homeopathy Medical Practitioners and Supplementary Physicians and improvement of their knowledge and skills, that objective as well had not been achieved.
- (e) Even though the formulation of by-laws for ensuing the market availability for Homeopathy drugs and products and for buildup of funds for the establishment of Homeopathy Medical Stores and Pharmacies had been planned, those plans had not been implemented.

### **5.3 Budgetary Control**

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It was observed that the budget had not been made use of as an effective instrument of financial control in view of the following matters.

- (a) Even though expenditure on Medical Council meeting expenses amounting to Rs.116,000, printing charges amounting to Rs.140,345, advertisement fees amounting to Rs.89,152 audit fees amounting to Rs.40,000, repair expenses of office equipment amounting to Rs.101,523 and legal fees amounting to Rs.142,000 had been incurred in the year under review, provision for those had not been made in the Annual Budget Estimate.

- (b) Variances of 100 per cent under 02 items and 81 per cent under one item were observed between the budgeted expenditure and the actual expenditure

#### **5.5 Tabling of Annual Reports**

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The Annual Reports for the years 2011 and 212 had not been tabled in Parliament.

#### **5.6 Action not taken on the Directives of the Committee on Public Enterprises**

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According to the Minutes of the meeting of the Committee on Public Enterprises held on 15 September 2010, the Committee had directed that the regulations of the Medical Council should be updated to be in keeping with the present conditions. But those regulations had not been updated even by 31 December 2013 as the Medical Council had not been appointed.

#### **6. Systems and Controls**

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Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman from time to time. Special attention is needed in respect of the following areas of control.

- (a) Maintenance of Registers
- (b) Accounting