

## **Ayurvedic Medical Council - 2015**

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The audit of financial statements of the Ayurvedic Medical Council for the year ended 31 December 2015 comprising the statement of financial position as at 31 December 2015 and the statement of financial performance, statement of changes in equity 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 and part 3 section 11 up to 21 section of the Ayurveda Act, No. 31 of 1961. 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 control 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 Auditing Standards of Supreme Audit Institutions (ISSAI 1000 – 1810). Those Standards require that I comply with ethical requirements and plan 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 misstatement 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 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 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 Ayurvedic Medical Council as at 31 December 2015 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) Apprentice Allowance accrued as at 31 December 2015 amounting to Rs.22,000 had not been brought to account.
- (b) A sum of Rs.99,250 relating to the year 2016 received during the year under review had been brought to account as income of the year under review.
- (c) According to the physical verification as at 31 December 2015, the cost of the balance stock of Medical Certificate Books amounted to Rs.398,928 and that had been shown as Rs.378,912 in the financial statements.
- (d) The cash flow statement for the year under review had not been prepared by specifically identifying the cash flows under the operating, investment and financial activities. According to the adjustments made, it was not possible to be satisfied in audit with regard to the balancing of the cash flow statement. Several examples of such adjustments are given below.
  - (i) Even though the depreciation on non-current assets amounting to Rs.485,504 for the year under review should have been added to the surplus, a sum of Rs.210,371 had been deducted from the surplus.
  - (ii) The loss from the sale of fixed assets amounting to Rs.87,810 had not been adjusted to the surplus for the year and the sum of Rs.11,100 received from the sale of assets had been identified as a cash inflow.
  - (iii) Prior year adjustments amounting to Rs.235,515 and changes in reserves amounting to Rs.43,454 which did not affect the cash flows, had been added to the surplus for the year.
  - (iv) Even though only a sum of Rs.52,850 had been spent in the year under review for the purchase of non-current assets, that had been shown as Rs.741,935.

### 2.2.2 Unexplained Differences

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According to the Schedules presented with the financial statements for the year under review, the cost and the accumulated depreciation on the assets disposed of amounted to Rs.794,785 and Rs.695,875 respectively. Nevertheless, according to the Register of Disposal of Assets, those values amounted to Rs.875,604 and Rs.764,827 respectively. Accordingly, differences amounting to Rs.80,819 and Rs.68,952 respectively were observed.

### 2.2.3 Lack of Evidence for Audit

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The total amounts spent in the 05 preceding years and the year under review on hire charges on motor vehicles amounted to Rs.2,475,023 and Rs.542,050 respectively. It was not possible to ascertain the accuracy of these transactions in audit as the requirement for the hire of motor vehicles, particulars of travel destinations, distance travelled and agreements entered into with the supplier of the hired motor vehicles were not produced for audit.

### 2.3 Non-compliance with Laws, Rules, Regulations and Management Decisions

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The following instances of non compliance were observed.

<b>Reference to Laws, Rules, Regulations, etc.</b>	<b>Non-compliance</b>
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(a) Sections 11(1)(e) of Part III of the Ayurveda Act, No. 31 of 1961	Even though three registered Ayurvedic Practitioners should be appointed to the Council, action had not been taken even up to the end of the year under review to appoint three registered Ayurvedic Practitioners.
(b) The Ayurvedic Medical Council Paper No. 14/13/08/(03) dated 05 July 2005 and the Gazette. Extraordinary No. 1884/36 of 15 October 2014 of the Democratic Socialist Republic of Sri Lanka	The registration of every Medical Practitioner with the Council should be renewed once in every five years and a new Certificate should be issued. Nevertheless, new registration certificates had not been issued to 2,241 registered Practitioners who had renewed their registrations as at 31 December 2015. Appropriate action had not been taken to identify and register Practitioners.
(c) Establishments Code of the Democratic Socialist Republic of Sri Lanka	
(i) Sections 12.2.1 , 12.2.2 , and 12.2.3 of Chapter VII	Even though the acting post should be a post higher than the substantive post of the officer appointed to act, an Ayurvedic Practitioner had been appointed to act in the post of Registrar with effect from July 2013. Even though 03 years had elapsed by July 2016, action had not been taken to

appoint a permanent officer to that post.

(ii) Section 3.5 of Chapter XXIV

Distress loans totalling Rs.276,000 had been granted to three officers during the year under review without considering the maximum limit of the loan installments and other recoveries amounting to 40 per cent of the salary. In addition, distress loan of Rs.71,700 had been granted without obtaining a surety to a female officer who had not completed 05 year service.

(d) Financial Regulations of the Democratic Socialist Republic of Sri Lanka  
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(i) Financial Regulation 169

Services valued at Rs.13,030 had been supplied before the realization of 22 Money Orders received during the period from the year 2006 to 31 December 2015.

(ii) Financial Regulation 177

Even though the Government money collected should be banked daily or as early as possible, sums totalling Rs.494,638 collected during the year under review had been banked after delays ranging from 5 to 10 days.

(iii) Financial Regulation 756

A physical survey of property, plant and equipment valued at Rs.5,180,161 as at 31 December 2015, had not been conducted even by 30 June 2016.

### **3. Financial Review** -----

#### **3.1 Financial Results** -----

According to the financial statements presented the financial results of the Council for the year under review amounted to a surplus of Rs.712,624 as compared with the corresponding surplus of Rs.3,376,367 for the preceding year. As such, the financial results for the year under review, as compared with the preceding year had deteriorated by a sum of Rs.2,663,743. The above deterioration had been mainly due to the decrease of the Government provision by a sum of Rs.2,500,000 and the increase of overhead expenditure by a sum of Rs.1,212,185.

According to an analysis of the financial results for the year under review and the 4 preceding years, despite incurring deficiencies in the years 2011 and 2012, surpluses had been earned regularly from the year 2013 to the year under review. Taking into consideration the employees remuneration and the depreciation on the non-current assets, the contribution of the Council had regularly improved from the year 2011 to the year 2014. Nevertheless, as

compared with the year 2014, the surplus for the year under review had deteriorated by 79 per cent while the contribution as well had deteriorated by 20 per cent to Rs.6,568,561.

#### **4. Operating Review**

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##### **4.1 Performance**

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According to Section 18 of Part III of the Ayurveda Act, No. 31 of 1961, the main objectives of the Council are as follows.

- Recommending to the Minister whether any ayurvedic teaching institution should be approved by him for the purposes of this Act.
- Formulation of statutes relating to in regulation and control of the professional conduct of the Ayurvedic practioners, Ayurvedic pharmacists and Ayurvedic Nurses.
- The Registration of persons as Ayurvedic Pharmacists and as Ayurvedic Nurses and the cancellation, or suspension of such registration.

The following observations were made in the examination of the achievement of the above objectives.

- (a) The registration of new Ayurvedic Practitioners during the year under review had decreased by 44 per cent. Out of that the registration of Traditional Practitioners and the Traditional Specialist Practitioners, as compared with the preceding year had decreased by 65 per cent and 78 per cent respectively. That had been due to the delay in taking action on the applications received for registration.
- (b) Even though 71 complaints on quack practitioners had been received during year under review, 40 of those complaints only had been investigated. The results of those investigations had been limited to the issue of warnings and instructions as the Ayurveda Act and the Disciplinary Orders had not been subjected to timely amendments.
- (c) Five activities included in the Action Plan for the year under review had not been executed.

##### **4.2 Management Activities**

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The following observations are made.

- (a) Even though it had been established that a person not registered in the Council is running an Ayurveda and Acupuncture Treatment Centre in Dehiwala, steps had not been taken to investigate and taking follow-up action.
- (b) Even though there were 1,626 Ayurvedic Practitioners registered with the Council, as at 31 December 2015 information on them could not be found as the Council had not

taken timely action. As such the possibility of quack practitioners making use of those members to practise was observed.

- (c) Even though two members of the Board of Governors had not participated in any of the 6 meetings held during the year under review, the management had not paid its attention to that matter.

#### **4.3 Transactions of Contentions Nature**

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Non-current assets the book value of which was to Rs.98,910 had been auctioned for the officers of the Council for Rs.11,100 without assessing a minimum bid value.

#### **4.4 Uneconomic Transactions**

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The average annual issue of the International Certificates to the Ayurvedic Practitioners who proceed abroad for medical practice is 13 and despite the availability of 1,910 old certificates, 500 new International Certificates had been printed at a cost of Rs.38,454 during the year under review without considering the annual requirements. Out of those, none had been issued even by 30 June 2016.

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

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

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According to Section 6.5.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003 and the Treasury Circular No. 01/2004 of 24 February 2004, the annual financial statements should be presented to the Auditor General within 60 days after the close of the year of accounts. Nevertheless, the financial statements of the Medical Council for the year 2015 had been presented only on 15 June 2016 after a delay of 105 days.

#### **5.2 Action Plan**

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The Organisation Chart, the particulars of the approved and the actual cadre, the imprest requirement plan for the annual activities, and the Internal Audit Plan had not been included in the Action Plan for year under review in terms of the Circular No.PFD/RED/01/04/2014/01 dated 17 February 2014 of the Ministry of Finance and Planning.

#### **5.3 Internal Audit**

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An internal audit of the activities of the Medical Council for the year under review had not been carried out.

#### **5.4 Audit Committee**

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The Audit Committee for the year under review had not been established in terms of the Public Enterprises Circular No. 55 of 14 December 2010.

## 5.5 Budgetary Control

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Comparison of the budgeted income and expenditure for the year under review with the actual income and expenditure revealed variances ranging from 10 per cent to 123 per cent, thus indicating that the budget had not been made use of as an effective instrument of financial control.

## 5.6 Tabling of Annual Reports

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The Medical Council had not tabled the Annual Reports for the years 2013 and 2014 in Parliament even by 06 September 2016.

## 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 of the Council from time to time. Special attention is needed in respect of the following areas of control.

<b>Areas of Systems and Controls</b>	<b>Observations</b>
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(a) Accounting	Certain transactions had not been brought to account according to the double entry system and Journal Entries had been posted without the formal approval.
(b) Maintenance of Registers	The Leave Register had not been maintained properly. An adequate internal control had not been maintained for the security of various Certificate Books including the Medical Certificate Books.