

## **Ayurvedic Medical Council – 2016**

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The audit of financial statements of the Ayurvedic Medical Council for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 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 Sections 21 B and 21 C of Part III 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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The 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 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. Subsections (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.

## 2. Financial Statements

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### 2.1 Opinion

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In my opinion, the financial statements give a true and fair view of the financial position of the Ayurvedic Medical Council as at 31 December 2016 and its financial performance for the year then ended in accordance with the Sri Lanka Public Sector Accounting Standards.

### 2.2 Comments on Financial Statements

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

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The following non- compliances were observed.

<b>Reference to Laws, Rules and Regulations etc.</b>	<b>Non-compliance</b>
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(a) Ayurveda Act No.31 of 1961 Section II (I)(e) of Part III	Even though three registered ayurvedic practitioners should be appointed as members of the Council, action had not been taken to appoint those members even by the end of the year under review.
(b) Ayurvedic Medical Council Paper No.14/13/08(03) of 05 July 2005	Even though all medical officers registered with the Council should renew the registration once in every 05 years, 15,644 practitioners whose registration was over 05 years by the end of the year under review had not renewed the registration. Thus, the Council had deprived of an income of Rs.16,402,500. A proper methodology for the renewal of registration had not been identified and implemented.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka (i) Financial Regulation 169	Services had been rendered without being realized 27 Money Orders totalling Rs.9,780 which received during the period from the year 2006 up to 31 December 2016 and the originals of those 27 Money Orders had not been made available to audit.

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| (ii) Financial Regulation 371(2)   | Even though ad hoc sub imprest should be settled immediately after the completion of the purpose for which it was granted, sub imprest totalling Rs.199,750 issued to 07 officers during the year under review had been settled after delays ranging from 05 to 18 days.  |
| (iii) Financial Regulation 751   | Four clerical chairs, 16 steel cabinets and 02 steel cupboards valued at Rs.23,828, Rs.314,548 and Rs.34,552 respectively had not been included in the inventories.   |
| (iv) Financial Regulation 756  | A Physical Verification on the property, plant and equipment valued at Rs.5,936,355 as at 31 December of the year under review had not been carried out even by 30 June 2017.   |
| (d) Establishments Code of the Democratic Socialist Republic of Sri Lanka<br>Paragraphs 12:2:1, 12:2:2 and 12:2:3 of Chapter VII | Even though the acting post should be a post superior to the substantive post of the officer appointed to act, an Ayurvedic Practitioner had been appointed to act in the post of Registrar from July 2013. Action had not been taken to appoint a permanent officer to the said post despite an elapse of 04 years by July 2017. |

### **3. Financial Review**

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#### **3.1 Financial Results**

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According to the financial statements presented the financial results of the Council for the year under review amounted to a surplus of Rs.1,153,359 as compared with the corresponding surplus of Rs.712,624 for the preceding year. As such, the financial results for the year under review had improved by Rs.440,735 as compared with the preceding year. The above improvement had been mainly due to the increase of the Government grants by a sum of Rs.750,000 and the increase of registration fees for ayurvedic practitioners by a sum of Rs.1,642,154.

According to an analysis of the financial results for the year under review and the 4 preceding years, the deficit of Rs.96,820 in the year 2012 had increased to a surplus of Rs.1,153,359 by the year 2016 with fluctuations. Taking into consideration the employees remuneration and the depreciation on the non-current assets, the contribution of Rs.3,623,317 in the year 2012 had improved up to Rs.7,117,247 by the year 2016.

## **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.
- The Registration of persons as Ayurvedic practitioners, Ayurvedic Pharmacists and as Ayurvedic Nurses and the cancellation, or suspension of such registration.
- Formulation of statutes relating to in regulation and control of the professional conduct of the Ayurvedic practitioners, Ayurvedic pharmacists and Ayurvedic Nurses.

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

- (a) Even though the registration of Ayurvedic Practitioners had increased by 65 per cent during the year under review, the registration of Diploma Holding Ayurvedic Practitioners had decreased by 94 per cent as compared with the preceding year.
- (b) Thirty four and 71 complaints on quack practitioners had been received during year under review and the preceding year respectively. Out of that, inquiries of 10 and 26 complaints respectively had not been completed even by 16 June 2017. Follow up action had not been taken on 24 and 45 complaints of which the inquiries were completed. As the Ayurveda Act and the Disciplinary Orders had not been amended in accordance with timely requirements, most of the complaints inquired had been limited only to the issue of warnings and instructions.
- (c) Eleven 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) As it was decided to issue the Certificate of Registration of the Council in English medium at the request of Ayurvedic Practitioners, 1,910 old certificates had been cancelled and instead of that, 500 new certificates had been printed at a cost of Rs.38,454 in the year 2015. Nevertheless, new certificates printed had not been issued due to the shortcomings therein.

- (b) In the renewal of registration of Ayurvedic Practitioners, it had been decided in the year 2015 to issue a new certificate and print 6000 certificates. Nevertheless, new certificates had not been printed even by August 2017, thus the relevant certificates of registration had not been issued to 3,469 Ayurvedic Practitioners who had paid for the renewal of registration for the years 2015 and 2016.
- (c) Even though the conduct of written test annually for the registration of Traditional Ayurvedic Practitioners had been included in the Action Plan, that written test had been conducted only on 02 May 2016 after the year 2014. Five hundred and nineteen applications had been received for that examination and 401 applicants had sat for the examination. However, the Council had failed to release the results even by 16 June 2017.
- (d) Action had not been taken by the Council without delay in respect of 1,624 Ayurvedic Practitioners whose information could not be found, out of the Ayurvedic Practitioners registered with the Council as at 31 December 2016. As such, the possibility of quack practitioners making use of those numbers to practice was observed.

### **4.3 Operating Activities**

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The money received for the achievement of objectives of the Council had not been utilized for the relevant purposes and sums amounting to Rs.4,311,989 and Rs.5,406,214 had been retained in the bank current account as at 31 December 2015 and 31 December of the year under review respectively.

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

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

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Even though the financial statements should be presented to the Auditor General within 60 days after the close of the year of accounts in terms of Section 6.5.1 of the Public Enterprises Circular No.PED/12 of 02 June 2003 and the provisions of the Treasury Circular No.01/2004 of 24 February 2004, the financial statements of the Council for the year 2016 had been presented on 15 June 2017, after a delay of 03 months and 15 days.

### **5.2 Budgetary Control**

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Variances ranging between 3 per cent and 100 per cent were observed between the budgeted income and the actual income in respect of 11 Revenue Items out of 17 Revenue Items and variances ranging between 2 per cent and 123 per cent were observed between the budgeted expenditure and the actual expenditure in respect of 05 Items of Expenditure out of 30 Items of Expenditure. Thus, it was observed that the budget had not been made use of as an effective instrument of management control.

### **5.3 Tabling of Annual Reports**

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The Annual Report for the year 2015 of the Medical Council had not been tabled in Parliament even by 10 August 2017 in terms of Section 6.5.3 of the Public Finance Circular No.PED/12 of 02 June 2003.

### **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 failure to print the certificates by properly identifying the requirement and maintenance of adequate stock of certificates.