

Ayurveda Medical Council – 2018

1.1 Qualified Opinion

The audit of the financial statements of the Ayurveda Medical Council (“Council”) for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, and notes to the 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 the Finance Act No.38 of 1971. My comments and observations which I consider should be reported to the Parliament appear in this report.

In my opinion, except for the effects of the matters described in the paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the Council as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified based on the matters described in the paragraphs 1.5 of this report. 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 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 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 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 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 Responsibility for the Audit of 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 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 auditor's 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 auditor's 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; 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 Financial Statements

1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standard

Non - compliance with reference to the Standard	Management Comment	Recommendation
----- According to the paragraph 132 of the Sri Lanka Public Sector Accounting standard 1, even though significant accounting policies should be disclosed in the financial statements, the accounting policy relating to the Government Grants receiving to the Council had not been disclosed in the financial statements.	----- The accounting policy for the Government Grant which will be received to the Ayurveda Medical Council since the year 2019 will be disclosed in the financial statements.	----- Actions should be taken as per the Sri Lanka Public Sector Accounting Standard. Financial statements should be prepared and presented for the year 2019 after rectifying the said error.

1.5.2 Accounting deficiencies

Audit Observation	Comments of the Management	Recommendation
----- A sum of Rs.67,500 had been received to the Council from the Ministry of Health Nutrition and Indigenous Medicine for the expenditure incurred on a workshop held in the year 2018. However revenue and the expenses thereon had not been taken into accounts.	----- Actions to be taken to rectify in the year 2019.	----- Financial statements for the year 2019 should be prepared and presented after rectifying the said error.

1.5.3 Non Compliance with Laws, Rules and Regulations etc.

Reference to laws, rules, regulations etc.	Non compliance	Management comment	Recommendation
(a) Section II (1) (e) of Part III of the Ayurveda Act No. 31 of 1961.	Although three members of registered Ayurvedic practitioners and one member from each approved Ayurvedic teaching institution should be elected as members of the Council, actions had not been taken to elect the said 4 members even up to the end of the year under review.	Actions to be taken to elect three members who should be elected by poll before the end of the year 2019 and it was informed to the indigenous medicine section of the Ministry to elect one member from Ayurvedic teaching institutions.	Actions should be taken as per the Ayurveda Act.
(b) Ayurveda Medical Council Paper No. 14/13/08 (03) dated 05 July 2005	All medical practitioners registered in the Council should renew their registration once in five years. However 6199 medical practitioners who had exceeded 05 years for their registration as at the end of the year under review had not renewed their registration. A proper methodology for renewing registration had not been identified and implemented by the Council. As a result, income of Rs.6,955,250 had lost to the Council for the year under review.	Relevant medical practitioners had been informed in this regard. Actions were taken such as any activity not being fulfilled by the Council for the medical practitioners who had not renewed their registration and not being referred to any training course and being recovered a demurrage of Rs.300 per annum since the year 2019.	Actions should be taken as per the Ayurveda Medical Council Paper.

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| (c) | Financial Regulation 756 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka. | Recommendation pointed out by the Board of Survey reports of the previous year had not been implemented even up to 31 May 2019. | Immediate actions to be taken in this regard. | Actions should be taken as per the Financial Regulations. |
| (d) | Chapter XXI of the Establishment Code | A sum of Rs.95,800 had been incurred to procure uniforms for 10 officers who were not entitled to uniforms as per the Establishment Code. | These uniforms are being procured annually as per the authority vested by the Medical Council by the Ayurveda Act and the approval of the Council. | Actions should be taken as per the provisions of the Establishment Code. |
| (e) | Section iv of the Public Administration Circular No.09/2009 dated 16 April 2009. | Although the time based for the overtime and holiday pays should be confirmed through the finger print machine, actions had not been taken to fix a finger print machine. A sum of Rs.730,440 had been paid as overtime payments for the year 2018 in a ground of arrival and departure not being confirmed through the finger print machine. | Actions will be taken to follow the Public Administration Circular. | Actions should be taken as per the provisions of the Public Administration Circular. |
| (f) | Public Enterprises Circular No. PED/12 dated 02 June 2003. | | | |
| (i) | Section 6.5.3 | Annual reports relating to the years 2016 and 2017 had not been tabled in the Parliament even up to 03 June 2019. | Cabinet approval was granted for tabling annual report for the year 2016 in the Parliament and the annual report for the year 2017 was referred for the approval of the Cabinet. | Actions should be taken as per the provisions of the Public Enterprises Circular. |

(ii) Section 9.3.1	A scheme of recruitment for the post of Registrar which is a post in senior management level of the Medical Council had not been prepared and got approved by the Department of Management Services.	Actions are being taken to prepare a scheme of recruitment for the post of Registrar and to approve by the Medical Council and to refer to the Ministry to publish in the Gazette.	Actions should be taken as per the provisions of the Public Enterprises Circular.
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1.5.4 Unauthorized Transactions

Audit Observation	Comments of the Management	Recommendation
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(a) Total sum of Rs.146,000, Rs.21,000 and Rs.11,000 had been paid as a participate allowance during the year under review to the officers who had participated for 06 sub committees held in the Council, a pre investigation committee and a fine committee, per Rs.1,000 without obtaining the approval of the Director Establishment.	Referred to be obtain the approval of the Director Establishment	Approval of the Director Establishment should be obtained.
(b) Approval of the Department of Management Services had been obtained to pay an incentive to the officers of the Council, as Rs.1,800 per month in instances which the profit of the Council is over than Rs.180,000 and 5 per cent per every Rs.10,000 growing subject to maximum limit of Rs.2,800. However a sum of Rs.1,286,058 had been paid in the years 2015 and 2016 of which such profits were not occurred and the years 2017 and 2018 of which deficits were occurred.	Actions to be taken to get explained from the Department of Management Services.	Incentive allowances should be paid with the proper approval.

2. Financial Review

2.1 Financial Results

The operating results of the year under review amounted to a deficit of Rs.1,906,516 and the corresponding deficit in the preceding year amounted to Rs.765,079. Therefore a deterioration amounting to Rs.1,141,437 of the financial result was observed. The reasons for the deterioration are Increase of general overhead expenses by Rs.1,101,913, financial expenses by Rs.580,091 and other expenses by Rs.591,384.

2.2 Trend Analysis of Major Income and Expenditure Items

Compared with the previous year, registration fees of medical practitioners, other revenue, general overhead expenditure, financial expenditure and other expenses for the year under review had increased by 46 per cent, 42 per cent, 11 per cent, 362 per cent and 44 per cent respectively.

2.3 Ratio Analysis

The current ratio had decreased by 2.8 per cent during the year under review compared with the previous year.

3. Operational Review

3.1 Management Inefficiencies

Audit Issue	Management comment	Recommendation
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(a) Actions had been taken to issue a new certificate when renewing of registration of Ayurveda medical practitioners and to print 6000 of said certificates as well. New certificates had been issued to 197 medical practitioners out of 4,993 who had paid money for renewal of registration during the period from the year 2015 to the year 2018. However actions had not been taken to establish performance indicators for	For the time being, 1,124 numbers of certificates were issued for the medical practitioners who had already made payments, actions to be taken to complete the issuing of certificates for all medical practitioners before the end of this year.	According to the recommendation of the Governing Council dated 08 December 2015, actions should be taken to issue certificates to registered medical practitioners.

evaluation the progress of the activities such as registration of medical practitioners of the Ayurveda Medical Council and traditional medical practitioners, conducting exams and issuing results and to review the performance.

- (b) Written examination for registration of traditional medical practitioners had been held on 21 and 22 July and results had been issued on 01 March 2019. Even though the minimum requirement of marks required to get through each subject of the examination was 40 per cents, results of the examination had been altered only by the signature of one member of the Board of Examination Administration in order to get pass and weak pass respectively for 09 persons who got weak passes and 09 persons who had failed the examination in a fail mark rang of 36.5 per cent to 39.7 per cent. Nevertheless actions had not been taken to get pass or weak pass 09 applicants who had got marks in the said fail mark range.
- (c) A methodology had not been established for immediate investigation of complaints after revising Ayurveda Act and disciplinary orders. Thirteen and fourteen complaints in connection with fraud medical practitioners had been received during the year under review and the previous year respectively.
- An investigation committee was appointed for the said reason and necessary actions will be taken after receiving the committee report.
- Revision of Ayurveda Act should be done by the Ministry, a proposal for revision of disciplinary orders to be presented to the Minister, After establishing the said methodology, complaints received in connection with registered medical practitioners can be
- Necessary steps should be taken after carrying out a proper investigation.
- Ayurveda Act and disciplinary orders should be revised timely and complaints should be investigated promptly.

Out of that, investigations of 03 and 10 complaints had not been completed even up to 12 June 2019 and follow up actions had not been carried out on 10 and 04 complaints of which investigations had been completed respectively. Most of complaints of which investigations were completed had been bounded only to warnings and instructions due to Ayurveda Act and disciplinary orders not being revised timely.

investigated and preliminary investigations were completed in connection with 14 persons and explanation were called from them before calling before the Fine Committee.

3.2 Operational Inefficiencies

Audit Issue	Management comment	Recommendation
During the year under review, it was failed to commence 16 activities relating to 09 strategies which should be fulfilled according to the action plan prepared for the year under review.	Activities which could not be achieved during the year 2018 were included into the action plan for the year 2019 and it is expected to achieve those objectives.	Activities which can be achieved during the year should be included to the action plan and actions should be taken to revise the action plan appropriately.

4. Accountability and Good Governness

4.1 Presentation of Financial Statements

Audit Observation	Comments of the Management	Recommendation
According to the provisions of the Section 6.5.1 of the Public Enterprises Circular No.PED/12 dated 02 June 2003 and the Treasury Circular No. 01/2004 dated 24 February 2004, annual financial statements of the Statutory Boards should be presented to the Auditor General	Although the financial statements had been prepared on due date as per the Public Enterprises Circular , it could not be submitted due to delay of obtaining documents which should be obtained from the Board of	Actions should be taken as per the Public Enterprises Circular.

within 60 days after closing of the financial year. However the financial statement of the Council for the year under review had been submitted on 27 March 2019 in a delay of 27 days.

Directors according to the Audit Act and the financial statements will be submitted on due date since the year 2019.

4.2 Sustainable Development Goals

Audit Observation	Comments of the Management	Recommendation
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<p>Although all Government Institutions should act according to the 2030 Agenda of United Nations for Sustainable Development Goals, the Council had not aware how to act relating to the activities under their purview for the year under review.</p>	<p>Instructions were given to take actions in connection with the activities under the purview of the Medical Council as per the relevant Circular.</p>	<p>Actions should be taken as per the Circular No. NP/SP/SDG/17 dated 14 August 2017 issued by the Secretary to the Ministry of Economic affairs.</p>