

Ayurvedic Medical Council - 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ayurvedic Medical Council for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 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 report to Parliament appear in this report.

In my opinion, except for the matters described in 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 2020, and of its financial performance and 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 Paragraph 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 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 Institute 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 Institute.

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:

- 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 Institute
- Whether the Council has performed according to its powers, functions and duties; and

1.5 Audit Observations on the Preparation of Financial Statements

1.5.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

| Non-compliance with reference to the relevant standard | Comment of the Management | Recommendation |
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| ----- | ----- | ----- |
| In terms of Paragraph 47 of Sri Lanka Public Sector Accounting Standards 03, the material prior period errors shall be retrospectively corrected in the first set of financial statements authorized for issue after their discovery by restating the comparative amounts for prior period presented in which the error occurred. Nevertheless, as it had not been so done in the preceding years, there was a previous years adjustment account as at 31 December 2020 and the net debit balance of Rs.131,462 as at that date had been deducted from the net assets. | This will be corrected in the preparation of final accounts for the year 2021. | Financial statements for the year 2021 should be prepared and presented in a manner not to occur these errors. |

1.5.2 Accounting Deficiencies

| Audit Observation | Comment of the Management | Recommendation |
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| ----- | ----- | ----- |
| Due to over counting of the period of service of an officer, provision for gratuity of Rs.151,240 for the year under review had been overstated in the account. | This will be corrected in the preparation of final accounts for the year 2021. | Financial statements for the year 2021 should be prepared and presented by correcting this error. |

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

| Reference to Laws, Rules, Regulations etc. | Non-compliance | Comment of the Management | Recommendation |
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| (a) Part III of Ayurveda Act No.31 of 1961. | (i) Section 11 (1) (e). Although three members elected by the registered ayurvedic practitioners from themselves should be appointed as the members of the Council, no action had been taken to appoint those three members even as at the end of the year under review. | Although the Commissioner of Ayurveda should hold an election to appoint these three members, as it is costly to do so, it has been proposed to hold elections at the level of Divisional Secretariats under the supervision of the Provincial Commissioner and the gazette notification has been forwarded to the State Ministry for amendment. | Action should be taken in accordance with the Ayurveda Act. |
| (ii) Sections 18(c) and (d) | The total number of ayurvedic nurses and ayurvedic pharmacists registered with the Council as at 31 December 2020 was 39 and 260 respectively, and due to not following a method to timely renew the registration, those figures had not been updated. | Information has been called from the Department of Ayurveda and the Provincial Commissioners to update the information of the registered nurses and pharmacists and action will be taken to update those documents annually in the future. | -Do- |
| (iii) Section 19(i)(a) | Although a Registrar of the Council who shall also act as Secretary of the Council should be appointed, a suitable scheme of recruitment for that post had not been prepared and the approval of the Management Services Department had not been obtained and without being taken action to recruit a Registrar on a permanent basis, recruitments to the post had been continuously made on a contract basis and an acting basis. | With the approval of the Council, a Registrar has been appointed to the full time service with effect from 05 April 2021. | Action should be taken in accordance with the Ayurveda Act. |

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| (b) | Ayurvedic Medical Council Paper No. 14/13/08 (03) dated 05 July 2005. | Although all the medical practitioners registered with the Council shall renew their registration once every 05 years, 15,986 practitioners whose registration had expired 05 years had not renewed their registration by the end of the year under review as the Council had not identified and implemented a formal system for updating the registration. | All the medical practitioners registered with the Council have been informed by the Provincial Commissioners to update the registration every 05 years and a programme has been initiated to prepare a name list of doctors who have not renewed their registration at the district level and renew their registrations by the Provincial Commissioners. | A methodology should be introduced to update the registration of the medical practitioners. |
| (c) | Section 6.5.3 of Public Enterprises Circular No.12 dated 02 June 2003. | Although the Annual Report of a particular year should be tabled in Parliament before 31 of the following year, Annual Reports for the years 2018 and 2019 had not been tabled in Parliament even by 15 March 2021. | The Annual Reports for the year 2018 and 2019 have been submitted to the State Ministry of Indigenous Medicine Promotion, Rural and Ayurveda Hospital Development and Community Health on 23 February 2021 for tabling in Parliament. | The Annual Reports should be timely tabled in accordance with the provisions in the relevant Public Enterprises Circular. |

2. Financial Review

2.1 Financial Result

The operation of the Ayurvedic Medical Council for the year under review had resulted in a surplus of Rs.28,349 as against the deficit of Rs.272,468 for the preceding year, thus observing an improvement of Rs.300,817 in the financial results. This improvement is mainly due to decrease of the expenditure for the year under review by 22 per cent compared to the preceding year although the income of the year under review had been decreased by 20 per cent than the income of the preceding year.

2.2 Trend Analysis of the Main Income and Expenditure Items

- (a) Although the registration fee which is the main income of the Council in last year was Rs.8,420,360 that income had decreased up to Rs.5,507,660 by Rs.2,912,700 or 34.59 per cent during the year under review.
- (b) The total expenditure of the Council for the preceding year was Rs.15,548,483 and it had decreased to Rs.12,155,128 by Rs.3,393,355 or 21.82 per cent during the year under review. This was due to the reduction in institutional and administrative costs and miscellaneous expenses owing to the decrease of the activity of the Council on the impact of the Covid epidemic.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation

Out of 120 complaints received during the last 4 years regarding the professional misconduct of doctors registered with the Ayurvedic Medical Council and those posing as Ayurvedic doctors who have not registered and out of 100 complaints received during the year under review, investigations on 52 complaints and 72 complaints respectively had not been completed by 15 March 2021. Similarly, adequate follow-up had not been carried out on 11 complaints referred to the police for further investigation out of the 28 complaints examined during the year under review. Further, a complaint had not been lodged with the relevant police station against an "a fake doctor who was treating the patient by pretending to be a doctor without having registration".

Comment of the Management

The preliminary stage of 100 complaints filed in the year 2020 has been completed. Although the plaintiffs, witnesses and defendants should have been summoned for such investigations, it was found difficult to do so owing to the Covid pandemic. Steps have been taken to expedite investigations by carrying out follow up on the progress of every complaint lodged with the police and there are delays in police investigations due to the Covid pandemic and other expeditious investigations.

Recommendation

All significant complaints received by the Council should be investigated and necessary further action should be taken. Follow-up action should be taken on complaints lodged with the police. All complaints received should be referred for investigation.

3.2 Operating Inefficiencies

Audit Observation

(a) No performance indicators had been set and reviewed performance for the evaluation of the work of registering Ayurvedic Physicians, Traditional Ayurvedic Physicians, Ayurvedic Nurses and Pharmacists in the Council, conducting examinations on their behalf and issuing examination results etc.

Comment of the Management

Attention of the Ayurvedic Medical Council will be focused on making necessary arrangements for setting performance indicators.

Recommendation

Performance indicators should be set and reviewed performance to evaluate works.

(b) Due to taking a long time to obtain the views of various parties on the criteria for evaluating candidates who expect to register as traditional Ayurvedic practitioners during their training period, it has not been possible to implement them up to date.

Relevant criteria have been prepared for this purpose and arrangements have been made to conduct a workshop with the participation of members of the Ayurvedic Medical Council and resource persons. Action will be taken to implement the relevant matters thereafter.

Action should be taken to conduct evaluations expeditiously.

- (c) Although the number of candidates qualified for the registration of Traditional Ayurvedic Physicians through the interviews conducted by the Council during the period from 2016 to the year under review was 295, a number of 367 Traditional Ayurvedic Physicians had been registered with the Medical Council during that period.
- Although the candidates are qualified for registration of traditional Ayurvedic Physicians through the interviews conducted such registration, they are registered with the Ayurvedic Medical Council only after paying the relevant fees.
- Laws should be enacted and implemented to make sure that the medical profession is not possible to practice without proper registration after being qualified from the interviews.

4. Accountability and Good Governance

4.1 Sustainable Development Goals.

Audit Observation

Although all government institutions should act in accordance with United Nations 2030 Agenda on Sustainable Development, the Council was not aware of as to how it should act on the activities coming under the purview of the Council in relation to the year under review.

Comment of the Management

The members of the Ayurvedic Medical Council have been made aware of the matters coming under the purview of the Ayurvedic Medical Council in accordance with the United Nations Agenda 2030 on Sustainable Development and action will be taken to prepare programmes to be implemented.

Recommendation

Action should be taken to identify targets and indicators relating to achieve the sustainable development goals and to evaluate the progress.