

## **Ayurvedic Medical Council – 2019**

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### **1.1 Qualified Opinion**

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The audit of the financial statements of the Ayurvedic Medical Council for the year ended 31 December 2019 comprising the statement of financial position 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 Finance Act, No. 38 of 1971. My comments and observations which I consider should be reported to Parliament, appear in this report.

In my opinion, except for the effects of 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 Medical Council as at 31 December 2019, and 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**

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My opinion is qualified based on 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**

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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 determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Medical 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 Medical Council's financial reporting process.

As per Sub-section 16(1) of the National Audit Act, No. 19 of 2018, the Medical 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**

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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, 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 Medical 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 Medical 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 Medical 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 medical Council, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Medical Council has complied with applicable written law, or other general or special directions issued by the governing body of the Medical Council;
- Whether the Medical Council has performed according to its powers, functions and duties; and
- Whether the resources of the Medical 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 Standards

	<b>Non-compliance with Reference to the Relevant Standard</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a)	In terms of paragraph 132 of Sri Lanka Public Sector Accounting Standard 1, significant accounting policies should be disclosed in the financial statements. However, the accounting policy relating to the accounting of Government grants received to the Council, had not been disclosed in the financial statements.	The accounting policy relating to the accounting of Government grants received to the Medical Council since the year 2020, is disclosed in the financial statements.	Action should be taken in terms of Sri Lanka Public Sector Accounting Standards. The financial statements of the year 2020 should be prepared and presented by correcting the said error.
(b)	In terms of paragraph 47 of the Sri Lanka Public Sector Accounting Standard 3, material prior period errors should be corrected retrospectively 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	In the preparation of accounts of the year 2020, action is taken to correct the Prior Year Adjustment Account.	-Do-

error occurred. However, it had not been so done in the preceding year and prior to that year, thus observing a prior year adjustment account as at 31 December 2019 and the debit balance of the said account as at that date amounting to Rs.131,462, had been shown by deducting from net assets.

- (c) In terms of paragraph 86(c) of the Sri Lanka Public Sector Accounting Standard 7, the depreciation rate or useful life relating to property, plant and equipment had not been disclosed in the financial statements. Relevant information will be presented in the future in terms of the Standard. -Do-

### 1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
The cost and accumulated depreciation of Rs.871,379 and Rs.818,206 respectively relating to office equipment which had not been disposed of even by 31 December 2019, had been eliminated from books.	The cost and accumulated depreciation amounting to Rs.871,379 and Rs.818,206 relating to office equipment had been eliminated from books and a loss of Rs.44,568, had been brought to account due to failure to auction goods out of those goods, which were submitted for the auction. Moreover, action is taken to submit those goods again for the auction and in case any income will be received in the year 2020, action will be taken to make relevant adjustments.	Financial statements for the year 2020 should be prepared and presented by correcting these errors.

### 1.5.3 Unauthorized Transactions

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
The approval of the Department of Management Services had been received in the year 2015 to pay a monthly incentive of Rs.1,800 when exceeding the monthly profit of Rs.180,000 of the Council and to pay a monthly incentive up to a maximum of Rs.2,800 at a rate of 0.5 per cent for every increase of 10,000 to officers of the Council. However, a sum of Rs.1,711,408 had been paid as incentive based on the monthly income in the years 2015 and 2016 in which such an income had not been received as well as in the years 2017, 2018 and 2019 on which a deficit was resulted in.	At the discussion held by the Chairman of the Ayurvedic Medical Council with the Director General of the Department of Management Services on 29 January 2020 in this connection, it was agreed to make these payments based on the income instead of the profit and it will be referred to the Auditor General as soon as the approval was received therefor.	Incentive should be paid only with the formal approval.

### 1.6 Non-compliance with Laws, Rules, Regulations, Management Decisions etc.

<b>Reference to Laws, Rules, Regulations etc</b>	<b>Non-compliance</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) Part III of the Ayurveda Act, No.31 of 1961			
(i) Section 11(1)(e)	Three members elected by the registered ayurvedic practitioners from themselves should be appointed as members of the Council. Nevertheless, action had not been taken to appoint those three members even up to the end of the year under review.	The Medical Council had decided at the meeting held on 23 October 2018 to hold an election in terms of Section 11(1)(e) of the Ayurveda Act, No.31 of 1961 only considering ayurvedic practitioners who had renewed the registration as registered ayurvedic practitioners and necessary action is being taken therefor.	Action should be taken in terms of the Ayurveda Act.

(ii) Section 18 (c) and (d) (i) The Council shall be the authority responsible for the registration of persons as ayurvedic pharmacists and as ayurvedic nurses recruited for the Central Government and for provincial councils. However, a formal methodology had not been identified and implemented for the registration of those persons recruited for the Central Government and provincial councils, compulsorily in the Council.

A methodology for registration of ayurvedic nurses and ayurvedic pharmacists recruited for provincial councils, in the Ayurvedic Medical Council has not been implemented up to now and action will be taken to prepare a proper methodology by drawing attention of the Ayurvedic Medical Council thereon.

Action should be taken in terms of the Ayurveda Act.

(ii) It had been confirmed that the number of nurses and pharmacists registered in the Council as at 31 December 2019 stood at 38 and 260 respectively. However, it was observed that as a procedure for timely renewing the registration, had not been adopted, the number of said officers had not been updated and that the nurses and pharmacists who had retired, deceased and left the service may be included in the said number.

Future action will be taken by paying attention on updating the number of nursing officers and pharmacists.

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- (b) Ayurvedic 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 every five years. However, 15,045 medical practitioners whose registration had expired for 05 years by 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 such, the income lost to the Council for the year under review amounted to Rs.18.83 million.
- The relevant medical practitioners have been made aware in this connection. Moreover, as a positive feedback has not been received from certain medical practitioners, the Medical Council has decided not to perform any activity on behalf of practitioners who had not renewed the registration, direct them for any training courses, provide year calendars and to impose a penalty for delay of Rs.300 per year from the year 2019. As a result, a growth in the renewal of registration has been observed.
- Action should be taken to update the registration of medical practitioners.
- (c) Chapter XXI of the Establishments Code and Financial Regulations 137, 138 and 454 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka
- Uniforms had been purchased by spending Rs.95,800 and Rs.145,680 in the years 2018 and 2019 respectively for 14 officers who are not entitled to uniforms in terms of provisions of the Establishments Code. Further, receipt and issue of uniforms had not been entered in inventory books. Officers who are empowered to approve and certify those payments had approved and certified payments without confirming the receipt of goods and entering it in inventory books.
- In terms of provisions of the Public Administration Circular No12/2012, the Ministry of Public Administration has informed on 23 July 2019 that it should be referred with observations and recommendations of the Secretary to the Ministry for seeking the approval of the Director Establishment. Moreover, a register in which should be recorded the receipt of those uniforms and taking over by relevant officers and employees with their signatures, is maintained. Further action has been taken to enter into the consumable inventory.
- The aforesaid expenditure should be surcharged from officers who take action contrary to provisions of the Establishments Code and the Financial Regulations.

(d) Public Enterprises  
Circular No.12 of  
02 June 2003

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| (i) Section 9.3.1   | No Scheme of Recruitment required for the post of Registrar, had been formulated and the approval of the Department of Management Services had not been obtained therefor.   | Action is being taken to recruit a Registrar to the Council   | A Scheme of Recruitment should be formulated for the post of Registrar and approval of the Department of Management Services should be obtained. |
| (ii) Section 6.5.3  | Even though the Annual Report for the year 2018 should be tabled in Parliament before 31 May 2019, it had not been tabled in Parliament even by 30 June 2020.  | The Annual Report of the Medical Council for the year 2018 has been referred to the Indigenous Medical Division of the Ministry of Health and Indigenous Medical Services on 17 January 2020 for seeking the approval of the Cabinet of Ministers therefor. | Annual Reports should be tabled in terms of provisions of the relevant Public Enterprises Circular.  |
| (e) Public Finance<br>Circular<br>No.01/2014 of 17<br>February 2014 | Details such as Activity Plan prepared based on priorities of annual budget for the relevant year, Activity Time Line, and anticipated output/outcome of those activities had not been included in the Action Plan prepared for the year under review. | Action is taken to revise the Action Plan of the Medical Council in the year 2020 including observations mentioned in the audit report.   | Action should be taken to prepare the Annual Action Plan in terms of circular provisions and to reach anticipated output/outcome.                |

**2. Financial Review**

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**2.1 Financial Results**

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The operating results of the year under review had been a deficit of Rs.272,468 as compared with the corresponding deficit of Rs.1,906,516 in the preceding year, thus indicating an improvement of Rs.1,634,048 in the financial result.

## 2.2 Trend Analysis of Major Income and Expenditure Items

Registration fees of medical practitioners, other revenue, general overhead expenditure, and other expenditure for the year under review had increased by 46 per cent, 12 per cent, and 39 per cent respectively as compared with the preceding year.

## 3. Operating Review

### 3.1 Management Inefficiencies

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) The performance had not been reviewed by developing performance indicators for evaluating the activities of processes such as registration of medical practitioners of the Ayurvedic Medical Council, traditional medical practitioners, Ayurveda nursing officers and pharmacists, conducting exams on behalf of them and issuing their results.	Attention of the Medical Council is drawn to take necessary action to develop performance indicators.	Performance should be reviewed by developing performance indicators.
(b) Fifty nine and 13 complaints had been received in the year under review and the preceding year respectively relating to bogus practitioners. Out of them, investigations of 56 and 03 complaints had not been completed respectively even by 03 July 2020 and follow up action had not been taken on 03 and 10 complaints for which investigations had been completed. As the Ayurveda Act and Disciplinary Orders had not been revised in accordance with timely requirements, most of the complaints inquired had been limited only to the issue of warnings and instructions.	According to the Circular No.PS/SP/SB/Circular/02/2019 of 28 November 2019 of the Presidential Secretariat, after resignation of all members of the Medical Council, they have again met on 02 June 2020. As such, the investigation committee could not be conducted and after meeting the new Council, taking action regarding those complaints has been commenced and completed in the year 2020. Moreover, as there is a tendency for Ayurveda Medical Practitioners to commit professional misconducts, the Medical Council has decided at the meeting held on 07 July 2020 to revise rules published in the Gazette dated 15 October 2014 in terms of Section 18(f) of the Act in compliance with (Disciplinary) orders 1973.	The Ayurveda Act and Disciplinary Orders should be revised in accordance with the timely requirement and all significant complaints received to the Council should be investigated and necessary future action should be taken thereon.

### 3.2 Operating Inefficiencies

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
According to the Action Plan prepared for the year under review, 05 activities to be fulfilled relating to 10 strategies could not be commenced during the year under review. Moreover, the physical progress of 03 activities relating to a strategy planned to be fulfilled during the year under review, was at a level less than 10 per cent.	Action is taken to revise the Action Plan of the year 2020 by remedying the shortcomings pointed out by the report of the Auditor General and to commence activities which have failed to commence in the year 2019.	Envisaged performance should be reached by taking action in accordance with the Action Plan.

## 4. Accountability and Good Governance

### 4.1 Presentation of Financial Statements

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
In terms of Section 6.5.1 of Public Enterprises Circular No PED/12 of 02 June 2003 and provisions of Treasury Circular No.01/2004 of 24 February 2004, annual financial statements of statutory boards should be presented to the Auditor General within 60 days of closure of the year of accounts. However, the financial statements relating to the year under review had been presented on 09 June 2020 with a delay of 101 days.	Final accounts of the Medical Council for the year 2019 have been approved at the first meeting held on 02 June 2020 after appointing new members of the Medical Council and handed over to the Auditor General on 09 June 2020.	Action should be taken in terms of Public Enterprises Circulars.

## 4.2 Sustainable Development Goals

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<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
Even though all Government institutions should act in terms of the “2030 Agenda” of the United Nations on sustainable development, the Council had not been aware of the manner in implementing the functions that come under its scope relating to the year under review.	Necessary instructions had been given to implement functions that come under the Medical Council’s scope in terms of the relevant circular.	Action should be taken in terms of the Circular No. NP/SP/SDG/17 of 14 August 2017 of the Secretary to the Ministry of National Policies and Economic Affairs.