

Third Additional Financing for the COVID-19 Emergency Response and Health Systems Preparedness Project – 2022

The audit of the financial statements of the Third Additional Financing for the COVID-19 Emergency Response and Health Systems Preparedness Project for the Year 31December 2022,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 in Section 40 of the World Bank Report No.PAD 4691 Dated 24 September 2021 entered into between the Democratic Socialist Republic of Sri Lanka and the International Bank for Reconstruction and Development.My comments and observations which I consider should be reported to Parliament appear in this report

1.2 Implementation, Objectives, Funding and Duration of the Project

According to the Loan Agreement, the Ministry of Health is the Executing Agency and the Project Management Unit is Implementing Agency of the Project. The objectives of the Project are to accelerate affordable and equitable access to COVID-19 vaccines and help ensure effective vaccines deployment in Sri Lanka through vaccination system strengthening and to further strengthen preparedness and response activities under the parent project. As per the Loan Agreement, the total cost estimated of the Project was US\$ 100.00 million equivalent to Rs 21,000.00 million was agreed to be financed by International Bank for Reconstruction and Development.. The Project had commenced its activities on27 September 2021 and scheduled to be completed by 31 December 2023.

1.3 Qualified Opinion

In my opinion, except for the effects of the matters described in the Table 2.1 of my report, the accompanying financial statements give a true and fair view of the financial position of the Project as at 31 December 2022, statement of expenditureand its cash flows for the year than ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.4 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Section of Auditor’s Responsibilities for the Audit of the Financial Statements appeared in my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.5 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.

Those charged with governance are responsible for overseeing the Project’s financial reporting process.

1.6 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 project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- 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.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Comments on Financial Statements

2.1 Accounting Deficiencies

	Accounting Deficiency / Audit Issue	Amount Rs.million	Response of the Management	Auditor's Recommendations
(a)	Front end fee incurred for the year 2021 had been taken in to the financial statements of the year under review.	50	According to the information submitted to the project by the Department of Treasury Operations in 09.03.2022, the Front-End-Fee of Rs. 50,008,375 charged up to 31 st December 2021 had been recognized and accounted in March 2022. A certification of expenditure letter and expenditure report of February for the month of March 2022 are attached for your information please.	The reimbursed amount should be verified form the department of Treasury opinion where the Account of the project is maintained
(b)	As per the section 43(a) of Sri Lanka Public Sector Accounting Standard 5, Parity adjustments relating to the foreign loan of the project had not been accounted in the financial statements as at 31 December 2022.	13,546	No Answer	Should be comply with Sri Lanka Public Sector Accounting Standard.

2.2 Non Compliance with Laws, Rules and Regulations

No	Reference to the Laws Rules and Regulations	Non Compliance/Audit Issue	Response of the Management	Auditor's Recommendations
(a)	As per paragraph 9.3 of Management Services Circular No. 1/2019 dated 05 March 2019.	The Project Steering Committee had not been conducted as per the circular instruction.	Accepted. Actions are taken to conduct project steering committee meeting periodically in future.	Conduct the steering committee meeting as for the circular
(b)	Paragraph number 41 of the World Bank project document,	The internal audit of the projects should be done by the Primary Health Care System Strengthening Project managed by the Ministry of Health. However an internal audit of the	An Internal Auditor was appointed on 4 July 2022. According to the para 41 of the AF III Project Document, the internal audit of the	Should be follow the instruction of the world Bank project document

project's activities had not been projects should be done conducted in the year under by the project Internal review. Although the project had Auditor. been appointed an Internal Auditor in 04 July 2022 and paid Rs.860,690as salary.

3. Physical Performance

3.1 Matters in Contentious Nature

Audit Issue	Response of the Management	Auditor's Recommendation
The project had paid Rs.372 million for the medical equipment purchased by the State Pharmaceutical Corporation from 01December 2020 to27 September 2021. The related information for the purchase of Medical Equipment had not been submittedto the audit.	The related procurement documents, purchase orders, stock, receipts, invoices, payment vouchers, distribution list can be available for audit in State Pharmaceutical Corporation.	Should be maintained those document with project management unit