

## **Additional Financing for COVID – 19 Emergency Response and Health System Preparedness Project - 2022**

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The audit of financial statements of the Additional Financing for COVID – 19 Emergency Response and Health System Preparedness Project for the year ended 31 December 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 Section 5.01 of Article V of the Financing Agreement No. 67270 LK dated 23 July 2020 entered into between the Democratic Socialist Republic of Sri Lanka and the International Development Association. 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 of the Project, the Ministry of Women, Child Affairs and Social Security, secondly the state Ministry of Samurdhi, Household Economy, Micro Finance, Self – Employment and Business Development and presently the Ministry of Women, Child Affairs and Social Empowerment is the Executing and Implementing Agency of the Project. The objectives of the Project is to scaled – up cash transfers through Existing Cash Transfer Programs to the elderly persons with disabilities and chronic disease patients by including applicants on the waiting list during the pandemic and/or providing an increased amount during the pandemic under Existing Cash Transfer Programs. As per the Financing Agreement, the estimated total cost of the Project amounts to US\$ 41.09 million equivalent to Rs.7,803.87 million which was agreed to be financed by the International Development Association. The Project had commenced its activities on 23 July 2020 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 Basis for Qualified Opinion section 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 expenditure and its cash flows for the year than ended in accordance with Generally Accepted Accounting Principles.

### **1.4 Basis for Qualified Opinion**

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 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 Generally Accepted Accounting Principles 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 internal control of the Project.
- 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

<b>Accounting Deficiency / Audit Issue</b>	<b>Amount Rs.</b>	<b>Response of the Management</b>	<b>Auditor's Recommendations</b>
World Bank/ IDA US\$ credit balance as at 31 December 2022 had not been translated into LKR value of that date and as a result the loan balance and development expenditure balance shown in the statement of financial position had been understated.	8,779 million	<p>Responsibility of this ministry was to submit the withdrawal application on eligible expenditure to the world Bank through the bank "Client Connection" (Web based payment mechanism) to reimburse the expenditure to the account maintained at the Treasury.</p> <p>Reasons for not accounting the Parity Adjustment need to be clarified from the project office at the ministry of health and the Department of Treasury Operation.</p>	Should be followed Sri Lanka Public Sector Accounting Standards.

### 2.2 Non Compliance with Laws, Rules and Regulations

<b>No</b>	<b>Reference to the Laws and Regulations</b>	<b>Non Compliance/Audit Issue</b>	<b>Response of the Management</b>	<b>Auditor's Recommendations</b>
(a)	Financial Regulation No.626,	While preparing financial statements the project should keep separate books of accounts, documents and related evidence, but due to not doing so, the related documented evidence had not been submitted for the audit.	Due to kidney allowances have been paid to beneficiaries in the waiting lists and regular beneficiaries at Divisional Secretariat level through District Secretariats using provisions received from General Treasury under expenditure code 171-02-07-04-1501 of this Ministry following the normal procedure, the separate books for accounts of this projects have not been maintained. The responsibility of the Ministry regarding the project was only to submit applications of expenses to reimburse the expenditure, incurred for claimants through the "Client Connection" method implemented by the World Bank online, to the accounts maintained by General Treasury.	Should be followed Financial Regulation and take actions to keep relevant books and documents.

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| (b) (i) | Public Account Department Circular No. 30/94 and dated 20 April 1994, Paragraph 5.6.15 | The Accounting Officers/Chief Accounting Officers are required to prepare a monthly report showing the cumulative expenditure of the project expenditures which includes foreign aid expenditure which may be reimbursed and the reimbursements received should be sent to the Director General of Public Accounts, however this was not done during the year under review.   | The responsibility of the Ministry regarding the project was only to submit applications of expenses to reimburse the expenditure spent for claimants, through the "Client Connection" method implemented by the World Bank online, to accounts maintained by the General Treasury. Preparation of monthly reports stated here is done by the Project Office of the Ministry of Health / General Treasury.  | Should be followed relevant Circulars. |
| (ii)    | Paragraph 5.6.16,  | Accounting Officers and Chief Accounting Officers should strictly supervise over reimbursable foreign aid deployment, expenditure claims and receipt of reimbursements, however could not be observed to have done so. The applications which were spent during the year under review were submitted on 18 April and 01 June 2022. Also from June to December 2021 projects spent Rs. 415.47 million were submitted on 27 January and 3 March 2022. | The responsibility of the Ministry regarding the project was only to submit applications of expenses to reimburse the expenditure, incurred for claimants through the "Client Connection" method implemented by the World Bank online to accounts maintained by the General treasury.<br><br>Reimbursement applications related to an amount of 415.47 million rupees spent from June to December 2021 were to be submitted on January 27 and March 03, 2022, due to the delay in preparation of reports due to the conditions caused by the spread of COVID-19 during the period from June to December 2021. | Should be followed relevant Circulars. |

### 3.1 Matters in Contentious Nature

No	Audit Issue	Response of the Management	Auditor's Recommendations
(a)	<p>For the kidney patients who were on the waiting list in 25 districts during the period of 4 months from January to April 2022, the documentary evidence of the distribution of financial assistance of Rs. 5,000 which had been given by this project through the Divisional Secretariat offices was not submitted for audit.</p>	<p>Provisions allocated by Annual Budget based on the lists presented by National Secretariat for Persons with Disabilities for paying regular beneficiaries and beneficiaries in the waiting lists were released to District Secretariats. After making payments for those allowances, summary expenditure reports at District level in accordance with the Treasury printouts are made by the Account Division and documents related to that allowance are maintained by the Ministry. Due to foreign funds were not received to this Ministry for this project, accounts related to foreign transactions were not maintained</p>	<p>Document should be submitted to the audit.</p>
(b)	<p>According to the report of the semi-annual review meeting held by the World Bank team in the year under review, although it was stated that the Cabinet had decided in September 2020 to provide assistance to kidney patients on the waiting list until April 2022, the said Cabinet decision had not been submitted to the audit.</p> <p>However, kidney patients who were in eighty two Divisional Secretariats in selected eleven districts were receiving this allowance almost. However the Cabinet made a decision to pay the above allowance to the kidney patients who were at throughout the island for the year 2020 only.</p>	<p>The Ministry has taken necessary actions to get money from the Treasury having obtained Cabinet approval to pay including kidney patients who were in the waiting list without being included in the regular allowance list. (Cabinet Memorandum and copies of the decision have been presented by annexure no: 01)As the National Planning Department has dealt with the reimburse the money, that department should be asked for further detail</p>	<p>Should be done authorised expenses only</p>

- (c) Rs. 276.98 million was paid in 4 months for 13849 kidney patients on the waiting list. However the evidence was not submitted to the audit that an internal control system was in place to confirm whether this amount was paid to the correct kidney patients
- In the process of selecting of beneficiaries for kidney allowances under Social Services Ministry Circular number 1/2025 (Annexure no: 02), Divisional Secretary gives the approval for allowances considering the applications of kidney patients with medical reports, recommendation of Grama Niladhari as low income family member and recommendation of Social Services Officer. Their details (transfers, deaths etc.) are also updated by the Divisional Secretariats under the supervision of the Social Services Officers. Therefore, all the records such as applications of the patients, medical reports are maintained by the relevant Divisional Secretariats. In accordance with the number of beneficiaries submitted by the Divisional Secretariats, National Secretariat for Persons with Disabilities prepares the lists to provide allocations for District Secretariats and on the recommendation of that Secretariat, Account Division of this Ministry releases allocations to District Secretariats.
- All necessary evidence to verify the correctness of payments should be submitted to the audit.