

Responsive COVID-19 Vaccines for Recovery Project - 2022

The audit of the financial statements of the Responsive COVID-19 Vaccines for Recovery 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 conjunction with provisions in section 4.02 in the Loan Agreement No.4083- SRI and No.4084- SR (SF) dated 09 July 2021 respectively entered into between the Democratic Socialist Republic of Sri Lanka and the Asian Development Bank. 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 Implementing Agency of the Project, Ministry of Health in collaboration with the Project Management Unit. The objectives of the project are the safe vaccination of priority populations of the Sri Lanka against COVID-19 without compromising routine vaccine service and other health services. As per Loan Agreements, the total estimated cost of the Project was US\$.161.85 million equivalent to Rs.32,370 million and out of that US\$ 150 million equivalent to Rs.30 000 million was agreed to be financed by Asian Development Bank. The balance amount Rs. 2,370 million is expected to be financed by the Government of Sri Lanka. The Project had commenced its activities on 19 August 2021 and scheduled to be completed by 30 June 2024.

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 then ended in accordance with Sri Lanka Accounting Standards

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 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 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 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

Accounting Deficiency	Response of the Management	Auditor's Recommendation
According to the public Accounts Circular No. 230/2013 dated 29 November 2013, the borrowing cost should be capitalized, but interest and commitment charges respectively had not been accounted.	According to the table 15 of the Project Administration Manual, Interest and commitment charges under 4083 are not required to be capitalized.	Should be complied with regulations and borrowing cost should be capitalized.

2.2 Non Compliance with Laws, Rules and Regulations

Reference to the Laws Rules and Regulations	Audit Issue	Response of the Management	Auditor's Recommendations
Section 9.3 of Management Services Circular No. 1/2019 dated 05March 2019	The Project Steering Committee must meet at least once every two months. However, the committee met only once during the reviewed period and only 5 members were attended out of 13.	Only one Project Steering Committee meeting could be held as there were no activities to review and one more committee meeting organized had to be cancelled due to various reasons.	Should be complied with regulations.

3. Physical Performance

3.1 Idle Resources

Audit Issue	Response of the Management	Auditor's Recommendations
Number of 1,784,684 Sinopharm vaccines amounting to Rs. 2,498,557,600 were stored in the Central Vaccine Warehouse of the Epidemiology Department and will expire between 08 July 2023 and 24 August 2023.	According to the Loan agreement signed, it was planned to cover 04Mn of population by having 03 doses of vaccines, but people did not come forward for vaccination as expected, the entire quantity of vaccine could not be utilized. However, The Chief Epidemiologist of Epidemiology Unit has been instructed to take necessary action on the remaining stock of vaccines in the Central Vaccine Warehouse.	The people should be motivated to get all 3 vaccines.

3.2 Matters in Contentious Nature

No	Audit Issue	Response of the Management	Auditor's Recommendations
(a)	According to the contract agreement of hiring a vehicle for Project Director, it should be utilized minimum of 2000 Km less, and agreed to pay Rs. 155,000 per month. But even the minimum millage was not utilized except in January 2022.	Since the movements were restricted and working from home was allowed due to Covid-19 pandemic situation, project activities were not carried out as planned. Therefore, the expected number of kilometers could not be run	Clauses should be included in the contract agreements to suit the practical circumstances
(b)	As per Annexure A of the scope of service of the Tender document, the vehicle should be provided with a driver. According to the running chart of WP CAO-2837 it observed that the Project Director had used 3,004 km without the driver.	Although, the vehicle is provided with a driver, additional allowances would have to be paid if the services of a driver are taken on weekends and holidays. Although, the project was not operational on weekends and holidays, the security service was operational under its contracted services. Furthermore, other maintenance and repair works including air conditioners of the building are carried out on weekends and holidays and the project director has used the same vehicle to supervise these works.	Clauses should be included in the contract agreements to suit the practical circumstances.