

Global Alliance for Vaccines and Immunization (GAVI) for Health System Strengthening (HSS) Programme - 2014

The audit of financial statements of the Global Alliance for Vaccines and Immunization (GAVI) for Health System Strengthening Programme for the year ended 31 December 2014 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 in conjunction with Section 36 of the Cash Grant Agreement dated 19 June 2013 entered into between the Democratic Socialist Republic of Sri Lanka and the Global Alliance for Vaccines and Immunization.

1.2 Implementation, Objectives, Funding and Duration of the Project

According to the (GAVI) Application Form- 2007 of the Global Alliance for Vaccines and Immunization for Health System Strengthening Programme, then Ministry of Health , presently the Ministry of Health and Indigenous Medicine is the Implementing Agency of the Programme. The objectives of the Programme are to accelerate the reduction of Maternal and Child Health related morbidity and mortality in underserved areas, through improvement of coverage and quality of Maternal and Child Health services.

The specific objectives of the Programme are to;

- (i) Increase Primary Health Care staff in correct skill mix in 10 underserved districts to reach national norm by year 2015.
- (ii) Ensure availability of basic infrastructure and logistics to meet the national standards in 10 underserved districts for delivery of maternal and child health services by 2015.
- (iii) Ensure adequate monitoring and supervision of Maternal and Child Health services carried out in 10 underserved districts by the middle level facility managers by December 2015.

As per the Application Form - 2007 of the GAVI (HSS) Programme, the estimated total cost of the Programme is US \$ 4.51 million equivalent to Rs 516.7 million and the entire amount was agreed to be financed by the Global Alliance for Vaccines and Immunization. The Programme commenced its activities on 01 January 2008 and scheduled to be completed on 31 December 2012. Subsequently, period of the Programme had been extended in 3 times up to 31 December 2015.

1.3 Responsibility of the Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Principles and for such internal control as the management determines is necessary to enable the preparation

of financial statements that are free from material misstatements, whether due to fraud or error.

1.4 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Programme's preparation and fair presentation of the financial statements 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 Programme's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion. The examination also included such tests as deemed necessary to assess the following.

- (a) Whether the systems and controls were adequate from the point of view of internal control so as to ensure a satisfactory control over Programme management and the reliability of books, records etc., relating to the operations of the Programme.
- (b) Whether the expenditure shown in the financial statements of the Programme had been satisfactorily reconciled with the enhanced financial reports and progress reports maintained by the Programme.
- (c) Whether adequate accounting records were maintained on a continuing basis to show the expenditure of the Programme from the funds of the Government of Sri Lanka and Granting Agency, the progress of the Programme in financial and physical terms, the assets and liabilities arising from the operations of the Programme, the identification of the purchases made out of the Grant, etc.
- (d) Whether the withdrawals under the Grant had been made in accordance with the specifications laid down in the Cash Grant Agreement.

- (e) Whether the funds, materials and equipment supplied under the Grant had been utilized for the purposes of the Programme.
- (f) Whether the expenditure had been correctly identified according to the classifications adopted for the implementation of the Programme.
- (g) Whether the financial statements had been prepared on the basis of Generally Accepted Accounting Principles.
- (h) Whether satisfactory measures had been taken by the management to rectify the issues highlighted in my previous year audit report and
- (i) Whether financial covenants laid down in the GAVI Application Form -2007 had been complied with.

1.5 Basis for Qualified Audit Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, except for the effects of the adjustments arising from the matters referred to in paragraph 2.2 of this report, I am of opinion that,

- (a) the Programme had maintained proper accounting records for the year ended 31 December 2014 and the financial statements give a true and fair view of the state of affairs of the Programme as at 31 December 2014 in accordance with Generally Accepted Accounting Principles,
- (b) the funds provided had been utilized for the purposes for which they were provided,
- (c) the satisfactory measures had been taken by the management to rectify the issues highlighted in my previous year audit report and
- (d) the financial covenants laid down in the GAVI Application Form – 2007 had been complied with .

2.2 Comments on Financial Statements

2.2.1 Accounting Deficiencies

The following observations are made.

- (a) The Cash Flow Statement of the Programme had not been prepared as enable to disclose the cash flows from operating, investing and financing activities. In addition the accounting policies applied in preparation of financial statements had not been disclosed.
- (b) Recurrent cost amounting to Rs.204,240 incurred on Programme monitoring purposes had been capitalized under furniture and equipment.

2.2.2 Non- Compliance with Laws, Rules and Regulations

The internal audit activities had not been carried out on the transactions entered during the year under review eventhough it is required to be carried out under paragraph 30 and 34 of the Cash Grant Agreement of the Programme.

3. Financial and Physical Performance

3.1 Utilization of Fund

Certain significant statistics relating to the financing, budgetary provisions for the year under review and the utilization of funds during the year under review and up to 31 December 2014 are shown below.

Source	Amount agreed for financing in the Grant Agreement		Allocation made in the Budget Estimate for the year under review	Fund utilized			
	US\$ million	Rs. million		US\$ million	Rs. million	US\$ million	Rs. million
GAVI Alliance	4.5	516.7	150.0	1.0	107.9	4.0	489.2
GOSL	-	-	7.0	0.1	6.2	0.1	6.2
Total	<u>4.5</u>	<u>516.7</u>	<u>157.0</u>	<u>1.1</u>	<u>114.1</u>	<u>4.1</u>	<u>495.4</u>

3.2 Physical Progress

The following observations are made.

- (a) Although there should be a comprehensive detailed action plan covering the entire Programme period by highlighting financial and physical terms in monthly, quarterly, biannually etc. to ensure the achievement of Programme objectives within specific Programme period, such a plan had not been prepared and implemented.
- (b) Out of 08 activities scheduled to be implemented at a cost of Rs.7,155,214 during the year under review, initial actions had been taken on 03 activities and advances aggregating Rs. 1,426,302 had been granted thereon to the Director (Planning) of the Ministry of Health and Indigenous Medicine, Family Health Bureau and Regional Director of Health Services at Trincomalee. However, none of the activities had been implemented during the year under review.
- (c) In addition to above, a sum of Rs. 381,132 had been allocated to implement other 03 activities of the Programme during the year under review and out of that, only Rs. 149,845 had been incurred as at 31 December 2014. Funds utilization and physical progress on such activities were ranging from 23 per cent to 56 per cent and from 40 per cent to 53 per cent respectively.
- (d) According to the evidences received, 02 nos. of rehabilitation works at Gramodaya Health Centers in Vavunia had not been carried out as planned due to shortage of funds and further another activity of deepening of 03 wells in Vavunia had been abandoned due to floods prevailed in the area.

3.3 Issues on Financial Controls

The following observations are made.

- (a) A Register of Fixed Assets had not been maintained by the Programme on the fixed assets procured by the Programme at a cost of Rs.170, 973,209.
- (b) The Board of Surveys on assets procured by the Programme since 2012 had not been carried out and as a result, the physical existence of such assets as at 31 December 2014 could not be determined in audit.