

Round 09 of AIDS Component of the Global Fund to Fight AIDS Tuberculosis and Malaria (GFATM) Project - 2014

The audit of the financial statements of the Round 09 of AIDS Component Global Fund to Fight AIDS Tuberculosis and Malaria (GFATM) Project 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 read in conjunction with Article 13(b) of the Grant Agreement No. SRL-S -11-G13-H dated 11 February 2011 entered into between the Democratic Socialist Republic of Sri Lanka (GOSL) and the Global Fund to Fight AIDS Tuberculosis and Malaria (GFATM) .

1.2 Implementation, Objectives, Funding and Duration of the Project

According to the Grant Agreement, the Ministry of Health and Indigenous Medicine is responsible for the execution and implementation of the Project. The objectives of the Project are scaling up the National Programme Activities for the Prevention, Control and Treatment of HIV/AIDS in Sri Lanka. As per the Grant Agreement, the estimated total cost of the HIV /AIDS control Project for Round 6 and Round 9 are US\$ 1,300,923, and US\$ 4,956,930 respectively and entire amount was agreed to be financed by the GFATM. The Project commenced its activities on 01 January 2008 and the Round 06 Programme was completed by 31 December 2010. The Round 09 Programme is scheduled to be completed by 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 Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

1.4 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 Project 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 Project as at 31 December 2014 in accordance with Sri Lanka Accounting Standards.
- (b) the funds provided had been utilized for the purposes for which they were provided, and
- (c) the information provided in the financial statements agree with the information contained with other records maintained by the Project.

2.2 Comments on Financial Statements

2.2.1 Non-compliance with Laws, Rules, Regulations etc.

Physical verification in respect of fixed assets valued at Rs. 63,694,541 had not been carried out for the year under review as required by Financial Regulation No. 756.

3. Financial and Physical Performance

3.1 Utilization of Funds

Certain significant statistics relating to the financial of funds, budgetary provision 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		Funds received during the year		Funds utilized during the year 2014		Funds utilized up to 31 December 2014	
	US\$ million	Rs. million	US\$ million	Rs. million	US\$ million	Rs. million	US\$ million	Rs. million
GFATM	4.96	629.46	0.68	89.18	0.66	86.22	2.64	334.15
GOSL				5.00				
	4.96	629.46	0.68	94.18	0.66	86.22	2.64	334.15

The following observations are made.

- (a) According to the detailed work programme , US\$ 3.98 million expected to be released from 2011 to 2014 by the Global Fund and US\$ 2.84 million had been released to the Project. Out of that only US\$ 2.64 million had been utilized as at 31 December 2014 . Balance of US\$ 199,780 equivalent to Rs.21.09 million had been retained at the General Treasury.

- (b) It was observed that US\$ 2.64 million equivalent to Rs.334 million representing 53 per cent of approved Grant had only been utilized after elapse of 80 percent of Project period. So it is doubt whether balance US\$ 2.31 million equivalent to Rs.295.31 million of the Grant could be utilized in rest of the Project period of 12 months.

3.2 **Physical Progress**

The following observations are made.

- (a) Although the main objective of the AIDS component is to pay attention on the HIV patients, provide required guidance for the prevention of the disease and to provide required medical treatments and other services , only 06 Anti-Retroviral Treatment Centers had been established.
- (b) The Annual Conference on HIV had been held in Colombo from 16 to 18 October 2014 and US\$ 7,873 equivalent Rs.999,934 had been spent by the Project thereon. Eventhough 240 guests were invited for the Conference only 128 persons had been participated.

3.3 **Financial Controls**

The following observations made in the reviews carried out in audit indicated that the Budget Estimate of the Project had not been used as an effective tool of financial controls of the Project.

- (a) The entire allocations aggregating to Rs. 52,931,441 made for 26 activities for the year under review had not been utilized for the intended purposes.
- (b) A sum of Rs.4,857,284 had been incurred in excess over the provision made in the Budget Estimate under 26 activities without a proper approval from the relevant authorities.
- (c) In addition, an amount aggregating Rs.5,234,830 had been incurred under 13 activities during the year under review without provisions in the Budget Estimate. Further, proper approval thereon had not made available to audit.
- (d) Although a sum of Rs.26,600,785 had been allocated in the Budget Estimate for 15 activities , only Rs 6,419,977 had been utilized as at 31 December 2014.