

## **Malaria New Funding Model Component of Global Fund to Fight AIDS, Tuberculosis and Malaria Project - 2018**

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The audit of the financial statements of the Malaria New Funding Model Component of the Global Fund to Fight AIDS, Tuberculosis and Malaria Project for the year ended 31 December 2018 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 the Grant Agreement No. 898-LKA-M-MOH dated 29 February 2016 entered into between the Democratic Socialist Republic of Sri Lanka and the Global Fund to Fight AIDS, Tuberculosis and Malaria. 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**

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According to the Grant Agreement, the Ministry of Health Nutrition and Indigenous Medicine is the Executing Agency and Implementing Agency of the Project. The objective of the Project is to strengthen the Malaria Control Programme in Sri Lanka. The activities of the Project are implemented under Malaria components namely Malaria New Funding Model.

As per the Grant Agreement, the estimated total cost of the Project amounted to US\$ 7.05 million equivalent to Rs.921.28 million was agreed to be financed by Global Fund to Fight AIDS, Tuberculosis and Malaria. The Project had commenced its activities on 01 January 2016 and scheduled to be completed by 31 December 2018.

### **1.3 Opinion**

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In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Project as at 31 December 2018, financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### **1.4 Basis for Opinion**

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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**

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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

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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 skepticism 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 Non-compliance with Laws, Rules and Regulations**

Reference to the Laws, Rules and Regulations	Non-compliance	Impact	Response of the Management	Auditor's Recommendations
Financial Regulation No.371(5) of the Democratic Socialist Republic of Sri Lanka and Pubic Finance Circular No. 03/2015 dated 14 July 2015.	(a) The ad-hoc sub imprest aggregating to Rs.12.30 million exceeding the maximum limit of Rs.100,000 had been granted in 38 occasions, contrary to the provisions made.	Non-compliance with applicable rules and internal control system.	Not commented.	Actions should be taken to obtain the approval of the General Treasury to provide advances exceeding the ceiling amount.
	(b) Even though the ad-hoc sub imprests should be granted on the immediate date before the specific purpose, sub imprests aggregating to Rs.828,300 had been granted in 19 instances during the year under review for over 02 to 07 months before the due date.	-do-	Not commented.	Advance payment should be granted on the immediate date before the specific purpose and settled without delays.

### 3. Physical Performance

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#### 3.1 Physical progress of the activities of the Project

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Audit Issue	Impact	Response of the Management	Auditor's Recommendations
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<p>According to the Progress Update and Disbursement Request of Malaria New Funding Model, 190 Budget Line Activities were scheduled to be implemented through 12 Budget Cost Categories for the period of 03 years. It was observed that the allocation of US\$ 957,357 equivalent to Rs.155.610 million had been made under 23 Budget Line Activities and out of that US\$ 224,723 equivalent to Rs.36.53 million had only been utilized at the end of the year under review. Further, the Project had spent US\$ 74,325 equivalent to Rs.12.08 million exceeding the allocation of US\$ 55,613 equivalent to Rs.9.03 million made under other 08 Budget Cost Categories.</p>	<p>Saving funds without being accomplished the objectives.</p>	<p>Not commented.</p>	<p>Actions should be taken to utilize the allocation made to meet the intended purposes.</p>

#### 3.2 Unutilized Resources

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Audit Issue	Impact	Response of the Management	Auditor's Recommendations
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<p>(a) According to the information received, only US\$ 5.54 million equivalent to Rs.874.50 million had been utilized even as at 31 December 2018, out of the total allocation of US\$ 7.05 million equivalent to Rs.921.28 million expected to be utilized during</p>	<p>Intended benefits may not be reached to the stakeholders..</p>	<p>Not commented.</p>	<p>Actions should be taken to utilize the allocations to achieve of the objectives.</p>

the period of the Project. Further, an unutilized balance of US\$ 320,364 equivalent to Rs.16.33 million reimbursed from the Global Fund had remained in the General Treasury as at the end of the year under review.

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| (b) | According to the Action Plan of the year 2018 of the Project, 08 activities including the procurement of microscopies, supply of materials for information, education and communication purposes etc. scheduled to be completed at an estimated cost of US\$ 216,122 equivalent to Rs.35.12 million had not been completed at the end of the year under review.                            | -do-                             | Not commented. | -do-  |
| (c) | Although Sri Lanka has been declared a Malaria free country in 2016, after only two years of being declared the disease has begun rising its again. The malaria patients had been found at the instances ranging from 41 to 57 instances during the period from 2016 to 2018. Adequate attention had not been made to verify the cases related to immigrant from malaria spread countries. | Malaria outbreak in the country. | Not commented. | Actions should be taken to minimize to spreading of malaria in the country. |

### 3.3 Matters in Contentious Nature

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Audit Issue	Impact	Response of the Management	Auditor's Recommendations
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A separate audit report had been issued by a firm of Chartered Accountant on the financial statements of TB New Funding Model Component of the Global	Failure to comply with the laws and regulations.	Not commented.	Actions should be taken to obtain the concurrence of the Auditor General.

Fund to Fight AIDS, Tuberculosis and Malaria Project for the year ended 31 December 2018 to the Ministry of Health, Nutrition and Indigenous Medicine and expressed unmodified audit opinion thereon. However, the concurrence of the Auditor General had not been requested thereon.

### 3.4 System and Controls

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Audit Issue -----	Impact -----	Response of the Management -----	Auditor's Recommendations -----
(a) Physical verifications had not been carried out for the year ended 31 December 2018 in respect of fixed assets procured by the Project at a cost of US\$ 2,270,091 equivalent to Rs.414.86 million, since 2008.	Physical existence of the assets cannot be measured.	Not commented.	Action need to be taken to carry out physical verification of assets of the Project.
(b) The transactions of the Project during the year under review were not subjected to audit of the Internal Audit Section of the Ministry of Health, Nutrition and Indigenous Medicine, as per the Financial Regulation 133.	Weaken financial control	Not commented.	Internal audit functions should be implemented.