

## **COVID-19 Healthcare and Social Security Fund - 2020**

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### **1. Financial Statements**

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#### **1.1 Opinion**

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The audit of the financial statements of the COVID-19 Healthcare and Social Security Fund for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No.19 of 2018. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

#### **1.2 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 qualified opinion.

#### **1.3 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 Public Sector 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.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Fund's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Fund is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Fund.

#### 1.4 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 summary 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 and its materiality depends on the influence on economic decisions taken by users 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:

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.
- An understanding of internal control relevant to the audit was obtained in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the

Fund and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Fund has complied with applicable written law, or other general or special directions issued by the governing body of the Fund ;
- Whether the Fund has performed according to its powers, functions and duties;
- Whether the resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

#### 1.5 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Following observations are made.

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Public Finance Circular No. 01/2020 dated 29 August 2020	Even though the collection of revenue and expenditure outside the budget approved by the Appropriation Act is not approved according to Article 149 of the Constitution, this Fund had been initiated on 16 April 2020 without approval of the Parliament and the said approval ,which should be obtained within one year from that date, was not obtained by 08 October 2021,the audited date.	Since the Parliament was dissolved at the time of the establishment of the Fund, Parliamentary approval could not be obtained at that time in terms of Public Finance Circular No. 01/2020 dated 29 August 2020. Action will be taken to obtain the relevant approval in due course.	Action should be taken to obtain Parliamentary approval.
(b) Financial Regulations Code of the Democratic Socialist Republic of Sri Lanka	Any officer who receives an amount on behalf of the Government should issue a machine numbered official receipt in the prescribed form	Except a small amount of donations made to the COVID-19 Healthcare and Social Security Fund, all other	Action should be taken in accordance with the provisions of the Financial Regulatins.

should be provided immediately under the provisions of F.R. 169 in any instance except those provided with provisions in another manner. However, no action had been taken by the audit date of 26 July 2021 also to issue 102 receipts, written in terms of the common general form 172, relevant to the total from April to September, 2020 amounting to Rs. 114,073,730, to the institute or the persons who deposited the relevant amount.

donations have been made directly to the Fund's official bank account. According to the value of the donations, these contributions range from Rs. 10 to Rs.50 million. The numerical value of donors has increased as individually as well as organizations vice due to this situation. General 172 receipts were prepared to issue for donations of higher value in addition to the direct donations made to the Presidential Secretariat as a practical and most appropriate step, and decision was taken to give the receipts to them after finding the information regarding their addresses and identity. Accordingly, measures have been taken by now to issue receipts to a greater extent of donations that identity was confirmed.

- (ii) Financial Regulation 185(1) Even though all amounts received by a cashier should be duly recorded in the cash book and other relevant books, there were instances where only the total A large number of donors made direct deposits to the Fund's official bank account in a single day, and they had been recorded as Action should be taken in accordance with the Financial Regulations.

amount of deposits received per day as direct deposits had been recorded in the cash book.

receipts by issuing a receipt in favour of Chief Accounting Officer as a collection of daily receipts for such direct donations and donors who do not wish to reveal their identities since the identities of those donors could not be identified.

It is mentioned that the details of the total receipts is confirmed with the entries in the Bank Account Statement of the Fund.

(iii) Financial regulation 185 (2)

When accepting cash, the date of entries in the cash book should be equivalent to the date of receipt issued by the cashier. However, three instances, where there were differences between the date of entry in the cash book and the date of receipt, were observed.

In the aforementioned three cases, the difference of dates have been appeared since the bank statements have been used to make entries in the cash book, and those entries are now being made properly. However, all receipts for which receipts have been issued have been entered in the cash book.

Action should be taken in accordance with the Financial Regulations.

**2. Financial Review**

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**2.1 Financial Result**

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The operating result of the year under review amounted to a surplus of Rs.1,672,798,912 and since the Fund has been established in the year under review, it was unable to compare with the operating result of the corresponding preceding year.

### 3. Operational Review

#### 3.1 Management Activities

Following observations are made.

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
(a) Even though it had been decided to get tax exemptions for the donations to the Fund according to the decision of the Management Committee dated 15 May 2020, measures have not been taken to get tax exemptions for the donations to the Fund from tax by 30 November 2021 also.	Tax exemptions will be able to get for donations in parallel with submission to the approval of the Parliament.	Decisions of the Management committee should be implemented.
(b) Rs.2.50 million had been provided from the Fund for emergency purchases required for the PCR Laboratory of the University of Jaffna. 80 percent or Rs.2.01 million out of it had been spent on expenditure outside the estimate, out of which Rs. 1.26 million had been paid as allowance to a PCR inspection assistant.	Since this PCR laboratory had to be put into operation before the funds could be disbursed from the Fund, the initial work was completed with other funding.  Even though funding from the Covid 19 Healthcare and Social Security Fund was not included in the original estimate due to this reason, it has been utilized for other activities related to the PCR laboratory.	Estimates of expenditures should be obtained accurately.

#### 3.2 Management of the Fund

<b>Audit Observation</b>	<b>Comments of the Management</b>	<b>Recommendation</b>
The following objectives should have been achieved by the COVID 19 Healthcare and Social Security Fund: <ul style="list-style-type: none"><li>• Provide emergency financial needs for healthcare facilities including pharmaceuticals,</li></ul>	Funds are released considering the proposals received by the Management Committee on projects that could funded under the objectives of the Covid 19 Healthcare and Social Security Fund, and	Measures should be taken to utilize the money in the Fund at the maximum level.

drug testing equipment, and capacity building to combat the COVID 19 epidemic.

- Expenditure on healthcare services, healthcare security of healthcare officers and essential public service providers.
- Providing basic needs for children, women, low income people, the elderly, the disabled and vulnerable persons.
- Strengthen the public health sector by providing financial assistance to rural and remote dispensaries.
- Assist Indigenous Medical Units to manufacture and distribute hygiene products using local raw materials, resources, knowledge and skills.
- Promote innovation and testing to supply high quality protective clothing and hygiene products to the global market.

most of the projects were implemented with local and foreign assistance due to the Covid epidemic and therefore, management committee has not received project proposals sufficient to utilize the funds.

Accordingly, arrangements have been made to deposit in fixed deposits of 07 days, 31 days, 03 months, 06 months and 01 year as it was observed that immediate utilization as well as passive keeping of financial assets of the Fund is not appropriate according to the behavior of the epidemic situation. This has enabled the fund to increase its financial assets.

The total balance of the fund amounting to Rs. 1,641.73 million as at 31 December 2020 had not been utilized for the aforesaid purposes and Rs. 6.25 million and Rs. 111.06 million had been withhold as in the current account and the savings account of the bank respectively, while Rs. 1,524.42 million had been invested in fixed deposits.