

HIV New Funding Model Component of the Global Fund to Fight AIDS, Tuberculosis and Malaria Project - 2020

The audit of financial statements of the HIV New Funding Model Component of the Global Fund to Fight AIDS, Tuberculosis and Malaria Project for the year ended 31 December 2020 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 Grant Agreement No 977-LKA-H-MOH dated 26 November 2015 entered into between the Democratic Socialist Republic of Sri Lanka and the Global Fund 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

According to the Grant Agreement, the Ministry of Health is the Executing Agency and Implementing Agency of the Project. The objectives of the Project are the scaling up the national programme activities of the prevention, control and treatment of the HIV/AIDS in Sri Lanka. The activities of the project are implemented under HIV Component namely HIV New Funding Model Component. As per the Grant Agreement, the estimated total cost of the project amounted to US\$ 3.35 Million equivalent to Rs.607.77 million and entire amount was agreed to be Financed by Global Fund to Fight AIDS, Tuberculosis and Malaria. The Project commence its activities on 01 January 2016 and scheduled to be Complete by 31 December 2018. However, the date of Completion of activities of the Project had been extended up to December 2021.

1.3 Qualified Opinion

In my opinion, except for the effects of the matters described in the Table 2.1 of this report, the accompanying financial statements give a true and fair view of the financial position of the Project as at 31 December 2020, statement of comprehensive income and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.4 Basis for Opinion

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

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 Unreconciled Balances

Value as per Financial Statements	Value as per corresponding records	Description of the corresponding record	Response of the Management	Auditor's Recommendations
USD 102,184	USD 95,323.97	USD 6,860.03	Direct Disbursement notifications are issued for payments related to online purchases and confirmation is done by e-mail message for other payments.	Figures of the accounts should be complied with source documents

3. Physical Performance

3.1 Underutilized Resources

Audit Issue	Response of the Management	Auditor's Recommendation
Due to not having a proper plan to use before expiry, 1,300,744 contraceptives items valued at Rs. 5.6 million had expired in July 2021 and May 2022.	Not comments	There should be a proper plan to ensure maximum utilization before purchasing contraceptives items

3.2 Matters in Contentious Nature

Audit Issue	Response of the Management	Auditor's Recommendation
As part of an awareness program implemented in the year 2010, an advance of Rs.551, 250 had been paid to a private organization in order to distribute T-shirts with AIDS prevention messages among the employees of the plantation sector in 2010, however the T-shirts had not been received so far. Also, the cost of Rs.88,146 given to the above institution by the project had not been returned to the project. Accordingly, the total amount of Rs. 639,396 to be recovered from the above institution was continuously being brought forward as the balance of advances receivable in the accounts without recovery.	The legal Department of the ministry does the relevant Legal Action. The progress in this regard will be informed to the audit in future.	Action should be taken to recover the outstanding balances.