

COVID-19 Vaccines for Recovery Project - 2021

The audit of financial statements of the Responsive COVID-19 Vaccines for Recovery Project for the First Accounting period from 19 August 2021 to 31 December 2021 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 conjunction with provisions in Section 4.02 in the Loan Agreement No.4083 – SRI and No.4084 – SRI dated 09 July 2021 respectively entered into between the Democratic Socialist Republic of Sri Lanka and the Asian Development Bank. 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 Loan Agreements of the Project, the Ministry of Health is the Executing Agency and the Implementing Agency of the Project is Ministry of Health in collaboration with the Project Management Unit. The objectives of the Project are the safe vaccination of priority populations of the Sri Lanka against COVID- 19 without compromising routine vaccine service and other health services. As per the Loan Agreements, the total estimated cost of the Project was US\$ 161.85 million equivalent to Rs.32,370 million and out of that US\$ 150 million equivalent to Rs.30,000 million was agreed to be financed by Asian Development Bank. The balance amount of Rs.2,370 million is expected to be financed by the Government of Sri Lanka. The Project had commenced its activities on 19 August 2021 and scheduled to be completed by 30 June 2024.

1.3 Opinion

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Project as at 31 December 2021, statement of expenditure and its cash flows for the period 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. Comment on the Financial Statements

2.1 Accounting Deficiency

Audit Issue	Management Response	Auditor's Recommendation
As per the information submitted by the Department of External Resources for the audit, commitment fee and interest charged for the period under review was Rs.17 million. However, this amount had not been disclosed in the financial statements.	Action will be taken to disclose the commitment fees and interest in the financial statement for the year 2022.	Commitment fees and interest should be shown in the financial statements.

3. Physical Performance

3.1 Progress of the activities carried out by the Project

The Government of Sri Lanka and the Asian Development Bank had entered in to a Loan Agreement on 09 July 2021 for US\$ 150 million equivalent to Rs.30,000 million for the project and scheduled to be completed in June 2024. Accordingly, this loan amount was to be used for cover the cost of vaccinating of 18.2 percent of the Sri Lankan population, support vaccine related monitoring systems, cold chain related transport facilities activities to ensure gender equity and inclusive and to strengthen medical waste management system related to COVID- 19 and vaccine program. However, only US\$ 18 million equivalent to Rs.3,600 million had been used for the COVID -19 vaccines delivered for the project at the end of the year under review.

3.2 System and Controls

No	Audit Issue	Response of the Management	Auditor's Recommendation
(a)	According to the Project Administration Manual, under the Loan Agreement No. 4084 Expected total disbursement in 2021 was US\$ 5 million. However, there was no any disbursement in year 2021. Accordingly, it had failed to achieve the expected performance under the investment component of the project.	As explained above since the Project Management Unit was established in 2022, disbursement processing started only in 2022.	The project should be implemented as planned.
(b)	According to the Project Administration Manual, an internal audit of the project activities was required to carry out a proper internal control system and to implement the project effectively. However, a mechanism for this had not been formulated and implemented until 09 May 2022.	We did not receive cadre approval for audit officer we have requested to the internal audit of the Ministry of Health to perform necessary audit activities in the project.	A methodology for conducting an internal audit should be developed and implemented.