

Covid-19 Health and Social Security Fund - 2022

1. Financial Statements

1.1.1 Opinion

The audit of the financial statements of the Covid-19 Health and Social Security Fund for the Period of 10 months ended 31 October 2022 comprising the statement of financial position as at 31 October 2022 and the statement of financial performance, statement of changes in net assets/equity and cash flow statement for the 10 months 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 presented in Parliament, appear in this report.

In my opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 October 2022, and its financial performance and cash flows for the 10 months year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 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 in this report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 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 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 the Fund's financial reporting process.

As per Sub-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 Responsibility 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 skepticism throughout the audit. I also:

- Appropriate audit procedures were designed and performed identify and assess the risks 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 audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's 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 the 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 of the Fund 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, Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non-Compliance	Comments of the Management	Recommendation
Article 145(1) of the Constitution	All Funds not appropriated by law for the prescribed purpose, whether held by the republic, together constitute the Consolidated fund and all revenues from taxes, duties, assessments and fees, and all other income and receipts of the Republic not appropriated for the prescribed purpose. Even though it has to be paid to the Consolidated Fund. According to the Cabinet decisions numbered CP/22/1608/601/018 dated October 10, 2022, the cash balance of Rs.218,712,624 of the Covid 19 Health and Social Security Fund had been transferred to the President's Fund as of October 28, 2022.	It was informed that the balance of the Covid 19 Health and Social Security Fund was transferred to the president's Fund on October 28, 2022 as approved by the cabinet decision No CP/22/1608/601/018 dated October 10, 2022.	Should Comply with the rules and regulations.

2. Financial Review

2.1 Financial Results

The Operating result Of the year under review amounted to a deficit Of Rs.1,728,167,492 and the Corresponding Surplus in the Preceding Year amounted to Rs.274,070,004. Therefore, an deterioration amounting to Rs.2,002,237,496 Of the Financial result was Observed. The reason For the deterioration is Fund to provide Rs.1,800,000,000 to the Treasury Operations Department to Settle Outstanding Bills For Medical Supplies Of the Ministry Of Health.

3. Operational Review

3.1. Management Inefficiencies

Following Observations are made

Audit Observation	Comment of the Management	Recommendations
(a) In the management committee meetings of the Covid 19 Health and Social Security Fund held on June 06, 2022, the focus was on implementing the proposal to implement education scholarship programs for children who lost their parents due to the Covid 19 epidemic, but the audit did not observe that any action had been taken in this regard.	As the Preliminary Work to close the account was planned, No action could be taken the award of Scholarships.	Necessity of implementing Management committee decision.
(b) An action plan for the fund and a report on its progress had not been prepared.	Due to the Covid 19 epidemic situation and the restrictive conditions in the country during the years 2021 and 2022, public servants were called to work on a cyclical basis, and due to the struggle measures centered on the presidential Secretariat, due to the fact that the essential services of the President's office were maintained by a minimum number of employees, It was not possible to prepare an action plan for the Fund and report on its progress.	An action plan and a report on its progress should be prepared.

3.2. Under-Utilization of Funds

Audit Observation	Comment of the Management	Recommendations
(a) The Covid 19 Health and Social Security Fund should achieve the following objectives in addition to the main objective of providing healthcare services including medical equipment. <ul style="list-style-type: none">• Providing basic needs to Children, women, low income people, aged, disabled and vulnerable people.• Strengthening the public health sector by providing basic	As the Preliminary Work to close the account was planned, No action could be taken the award of Scholarships	Implementation of Management Committee decisions.

facilities to rural and remote dispensaries.

- Helping local medical units to manufacture and distribute hygiene products using local ingredients, resource knowledge and skills.
- Promote innovation and testing to provide high quality protective clothing and hygiene product to the global market.

But the money was not utilized for those purposes and it was observed that the sum of Rs.1,663,886,025 was invested in fixed deposits and other deposits and earned an Interest income of Rs.50,277,518 on October 31, 2022.