

Third Additional Financing for the COVID-19 Emergency Response and Health Systems Preparedness Project - 2023

The audit of the financial statements of the Third Additional Financing for the COVID-19 Emergency Response and Health Systems Preparedness Project for the Year 31December 2023,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 Section 40 of the World Bank Report No.PAD 4691 Dated 24 September 2021 entered into between the Democratic Socialist Republic of Sri Lanka and the International Bank for Reconstruction and Development.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 Agreement, the Ministry of Health is the Executing Agency and the Project Management Unit is Implementing Agency of the Project. The objectives of the Project are to accelerate affordable and equitable access to COVID-19 vaccines and help ensure effective vaccines deployment in Sri Lanka through vaccination system strengthening and to further strengthen preparedness and response activities under the parent project. As per the Loan Agreement, the total cost estimated of the Project was US\$ 100.00 million equivalent to Rs 21,000.00 million was agreed to be financed by International Bank for Reconstruction and Development.. The Project had commenced its activities on 27 September 2021 and scheduled to be completed by 31 December 2023.

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 2023, statement of expenditure and its cash flows for the year than ended in accordance with Sri Lanka Public Sector 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 Section of Auditor's Responsibilities for the Audit of the Financial Statements appeared in 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 Public Sector Accounting Standardsand 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 through out 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 the project's internal control.
- 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. Physical Performance
2.1 System and Controls

Audit Issue	Management Response	Auditor's Recommendations
<p>The World Bank mission team conducted the final operational support mission of the project from November 21 to 27, 2023. There, the remaining funds of the third supplementary financing were re-allocated for the purchase of essential drugs and medical equipment, but the US\$ 5,462.5 had not been used for it.</p>	<p>The World Bank (WB) Mission team conducted the final implementation support mission of the CERHSP Project from November 21-27,2023. The restructuring process, the remaining funds of US\$ 13 Million in Subcomponents 1.3(Loan No: IBRD 9296) (Vaccine Subcomponent) (Third Additional Financing) was reallocated for the purchase of additional essential Medicine and Medical Equipment eligible under COVID-19 Global Multiphase Programmatic Approach framework. This was done to support further pandemic preparedness and to strengthen healthcare system. The balance of US\$ 5,462.50 in Special Dollar Account was not refunded due to this reason. According to the Third Additional Financing Loan Agreement 9296, the Loan Closing date was 31.12.2023. The balance of US\$ 5,462.50 in Special Dollar Account-217 was refunded on 13 March 2024, during the Project Grace Period given up to 30 April 2024</p>	<p>All the provision should be utilized.</p>