

Global Alliance for Vaccines and Immunization (GAVI) for Health System Strengthening(HSS) Programme - 2013

The audit of financial statements of the Global Alliance for Vaccines and Immunization (GAVI) for Health System Strengthening (HSS) Programme for the year ended 31 December 2013 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 Section 36 of the Grant Agreement dated 19 June 2013 entered into between the Democratic Socialist Republic of Sri Lanka (GOSL) and the Global Alliance for Vaccines and Immunization (GAVI).

1.2 Implementation, Objectives, Funding and Duration of the Project.

According to the Application Form- 2007 of the Global Alliance for Vaccines and Immunization for Health System Strengthening (HSS) Programme, the Ministry of Health is the Implementing Agency of the Programme. The objectives of the Programme are to accelerate the reduction of Maternal and Child Health (MCH) related morbidity and mortality in underserved areas, through improvement of coverage and quality of Maternal and Child Health (MCH) Services.

The specific objectives of the GAVI (HSS) Programme are to;

- (i) Increase Primary Health Care Staff in correct skill mix in 10 under served districts to reach national norm by the year 2014.
- (ii) Ensure availability of basic infrastructure and logistics to meet the national standards in 10 underserved districts for delivery of Maternal and Child Health Services by the year 2014.
- (iii) Ensure adequate monitoring and supervision of MCH services carried out in 10 underserved districts by the Middle Level Facility Managers by the year 2014.

According to the Application Form - 2007 of the GAVI (HSS) Programme, the estimated total cost of the Programme is USD 4,505,000 and the entire amount was agreed to be financed by the Global Alliance. The Programme commenced its activities on 01 January 2008 and is scheduled to be completed by 31 December 2014.

1.3 Responsibility of the Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Principles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are responsible in the circumstances.

2. **Scope of Audit and Basis of opinion**

My responsibility is to express an opinion on these financial statements based on my audit. Audit opinion, comments and findings in this report are based on review of the financial statements presented to audit and substantive tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me. The audit was carried out in accordance with Sri Lanka Auditing Standards to obtain reasonable assurance as to whether the financial statements are free from material misstatements. The audit includes the examination on a test basis of evidence supporting the amounts and disclosures in financial statements and assessment of accounting policies used and significant estimates made by the management in the preparation of financial statements as well as evaluating their overall presentation. I have obtained sufficient information and explanations which to the best of my knowledge and belief were necessary for the purpose of my audit. I therefore believe that my audit provides a reasonable basis for my opinion. The examination also included such tests of systems and controls, transactions, assets, liabilities and accounting records as deemed necessary to assess the following.

- (a) Whether the systems and controls were adequate from the point of view of internal control so as to ensure a satisfactory control over Programmed management and the reliability of books, records etc., relating to the operations of the Project,
- (b) Whether adequate accounting records were maintained on a continuing basis to show the expenditure of the Programme, from the funds of the granting Agency, the progress of the Programmed in financial and physical terms, the assets and liabilities arising from the operations of the Programme, the identification of the purchases made out of the Grant, etc. ,
- (c) Whether the funds, materials and equipment supplied under the Grant had been utilized for the purposes of the Programme,
- (d) Whether the expenditure had been correctly identified according to the classifications adopted for the implementation of the Programme,
- (e) Whether the financial statements had been prepared on the basis of Generally Accepted Accounting Principles,
- (f) Whether satisfactory measures had been taken by the management to rectify the issues highlighted in my previous year audit report , and
- (g) Whether financial covenants laid down in the GAVI Application Form -2007 had been complied with.

3. Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, except for the effects of the adjustments arising from the matters referred to in paragraphs 5 and 6 of this report, I am of opinion that,

- (a) the Programme had maintained proper accounting records for the year ended 31 December 2013 and the financial statements give a true and fair view of the state of affairs of the Programme as at 31 December 2013 in accordance with Generally Accepted Accounting Principles.
- (b) the funds provided had been utilized for the purposes for which they were provided.
- (c) satisfactory measures had been taken by the management to rectify the issues highlighted in my previous year audit report, and
- (d) the financial covenants laid down in the GAVI Application Form - 2007 had been complied with .

4. Financial Statements

4.1 Financial Performance

According to the financial statements and information made available for audit, the Programme expenditure for the year under review amounted to Rs.108,794,143 and the cumulative expenditure as at 31 December 2013 amounted to Rs. 381,250,000. A summary of expenditure for the year under review , expenditure for the preceding year and the cumulative expenditure as at 31 December 2013 is given below.

Catagory -----	Expenditure for the year ended 31 December -----		Cumulative Expenditure as at 31 December 2013 -----
	2013 ----- Rs.	2012 ----- Rs.	
Fixed Assets	27,693,628	23,161,622	108,761,632
Civil Works (renovation and refurbishment)	54,922,040	27,888,434	165,305,860
Training	18,027,961	35,356,649	86,917,775
Other Operating Cost	<u>8,150,514</u>	<u>5,193,791</u>	<u>20,264,733</u>
Total	<u>108,794,143</u>	<u>91,600,496</u>	<u>381,250,000</u>

5. Audit Observations

Boards of Survey on fixed assets purchased by the Programme had not been carried out for the years 2012 and 2013.

6 Financial and Operating Review

6.1 Utilization of Funds

Certain significant statistics relating to the financing of funds, budgetary provisions for the year under review, utilization of funds during the year under review and the cumulative expenditure as at 31 December 2013 are shown below.

Source	Amount agreed to be financed		Allocation made in the Annual Budget	Amount utilized during the year under review		Amount utilized as at 31 December 2013	
	US\$	Rs.		Rs.	US\$	Rs.	US\$
GAVI Alliance	4,505,000	516,677,613	108,800,000	899,310	108,794,143	3,385,533	381,250,000
GOSL	-	-	3,687,470	27,188	3,534,547	27,188	3,534,547
Total	4,505,000	516,677,613	112,487,470	926,710	112,328,690	3,412,721	384,784,547

Following observations are made.

- Even though US\$ 4,505,000 equivalent to Rs. 516,677,613 had been received by the General Treasury from the Global Alliance since the commencement of the Programme in the year 2008 up to 31 December 2013, the cumulative expenditure of the Programme up to 31 December 2013 amounted to US\$ 3,385,533 equivalent to Rs. 381,250,000 representing 75 percent of the total grants received. The allocation amounting to Rs. 165,000,000 made for the Programme under the Annual Estimates for the year 2013 had been reduced up to Rs. 112,487,470 and out of that a sum of Rs. 112,328,690 had been spent during the year under review.
- According to the progress reports, 31 activities had been scheduled to be implemented at a cost of Rs. 46,050,311 during the year under review. However, none of those activities

had been implemented. Further, a sum of Rs. 2,940,696 paid as advance for 18 activities had also been included therein.

- (c) In addition to the above out of the sum of Rs. 6,248,611 estimated to be spent under other 09 activities of the Programme during the year under review, only a sum of Rs. 1,938,241 had been spent to complete such activities, thus indicating that the estimation of such activities had not been done properly. Funds utilization on respective activities ranged from 14 percent to 49 per cent.
- (d) According to the provisions made in the Agreement of the Programme, the Internal Audit Section of the Ministry of Health is responsible for ensuring that GAVI HSS Programme's fiduciary and operation procedures and regulations are adhered to. However neither an internal audit plan had been prepared nor an internal audit had been carried out for the activities of the Programme for the year under review and the preceding year. Further though the internal audit had been carried out for the years 2010 and 2011 and observations made thereon had been submitted with the recommendations made by the Chief Internal Auditor of the Ministry of Health, those had not been implemented.
- (e) According to the Financial Rule No 261.2.2 issued by the Central Provincial Council, the advances obtained for any purpose are required to be settled within a week. However, advances aggregating Rs. 170,050 obtained for the activities of 08 programmes conducted by the office of the District Medical Officer at Nuwara-eliya had been settled after the delays ranging from 56 days to 134 days.

6.2 Physical Progress

Although there should be a comprehensive detailed Action Plan covering the entire Programme period by highlighting financial and physical terms in quarterly, biannually etc. to ensure the achievement of the objectives within specific Programme period, such a plan had not been prepared and implemented.

6.3 Management of Assets

It was observed in audit that the resources of the Programme had not been utilized by the regional offices effectively for the intended purposes. Instances observed are described below.

- (a) Even though the payments had been made by the Programme on 26 December 2013 for the purchase of 07 items of fixed assets at a cost of Rs 245,158 such assets had not been received even as at 16 September 2014.
- (b) The Programme had spent a sum of Rs 1,553,776 for the activities to develop Provincial Medical Training Center at Kadugannawa and such works were not related to the activities intended to be carried out by the Programme. Further, a sum of Rs 1,408,000 provided to purchase air-conditioners for main auditorium had remained in a Deposit Account even up to 31 March 2014. However, the Ministry of Health was informed by the Provincial Health Services Director of Central Province that such allocation had already been spent.

6. **Systems and Controls**

Special attention is needed in respect of the following areas of Control.

- (a) Assets
- (b) Internal Audit
- (c) Performance of the Provincial Offices