

## **Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) Project Component of TB Round 09 (TFM) -2014**

-----

The audit of financial statements of the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) Project Component of TB Round 9 (TFM) for the year ended 31 December 2014 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 Article C (1) of the Grant Agreement No. SRL- 607-G07-T dated 19 June 2013 entered into between the Democratic Socialist Republic of Sri Lanka (GOSL) and the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM).

### **1:2 Implementation, Objectives, Funding and Duration of the Project**

According to the Grant Agreement, then Ministry of Health presently, Ministry of Health and Indigenous Medicine is responsible for execution and implementation of the Project including Project scope and activities, budgets, milestones and indicators. The objectives of the Project are to strengthen the Tuberculosis Control Programme in Sri Lanka by enhancement of the efficiency of the Directly Observed Treatment Short-course (DOTS) Programme through increasing outreach activities in under - served areas and promoting with the Non-Governmental Organizations and the private sector. The estimated total cost of the Project is US\$ 9,044,169 for strengthening Tuberculosis Control for Round 06 and 09 and the entire amount was agreed to be financed by the GFATM. The Project commenced its activities on 01 January 2008 and expected 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 Sri Lanka Accounting Standards. 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 reasonable in the circumstances.

### **1.4 Basis for Qualified Audit Opinion**

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

## **2. Financial Statements**

### **2.1 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 paragraph 2.2 of this report. I am of opinion that,

- (a) the Project had maintained proper accounting records for the year ended 31 December 2014 and the financial statements give a true and fair view of the state of affairs of the Project as at 31 December 2014 in accordance with Sri Lanka Accounting Standards.
- (b) the funds provided had been utilized for the purposes for which they were provided, and
- (c) the information provided in the financial statements agree with the information contained with other records maintained by the Project.

## **2.2 Audit Observations**

### **2.2.1 Accounting Deficiency**

Surcharges on Employees Provident Fund and Employees Trust Fund payable as at 31 December 2014 amounting to Rs. 3,539,444 had not been accounted or disclosed in the financial statement.

### **2.2.2 Non-compliance with Laws, Rules, Regulations etc.**

Instances of non-compliance observed in audit are given below.

- (a) According to the provisions made under the paragraph 43(b) of the Cosmetic Devices and Drugs Act, No. 27 of 1980 the drugs stores should be maintained to protect the quality of the drugs. However, stores at the regional clinics had not been maintained accordingly.
- (b) Physical verification in respect of fixed assets valued at Rs. 148,105,202 had not been carried out for the year under review in terms of Financial Regulations No. 756.
- (c) A proper performance bond not less than 10 per cent of the estimated amount had not been obtained for the procurement of equipment aggregating Rs. 1,771,280 in terms of Section 5.4.8 (a) and (b) of the Government Procurement Guidelines - 2006.
- (d) The approval of the Department of Management Services had not been obtained for the cadre of the Project as required by the Paragraph 2.1.2 of the Circular No.33 dated 05 April 2007 of the Department of Management Services.

### **2.2.3 Lack of evidence for audit**

Information such as manufacture's authorization letter, specification confirmation certificate, Country of Origin Certificate, letter of availability of spare parts etc, related to 10 LED Microscopes procured at a cost of Rs. 4,070,000 during the year under review had not been furnished for audit.

## 2.2.4 Idle Assets

Ten LED Microscope valued at Rs. 4,070,000 procured on 18 July 2014 had remained idle up to 27 March 2015 at National Tuberculosis Reference Laboratory.

## 3. Financial and Physical Performance

### 3.1 Utilization of Funds

Certain significant statistics relating to the financing of funds, budgetary provision for the year under review and the utilization of funds during the year under review and up to 31 December 2014 are shown below.

Source	Amount agreed for financing in the Grant Agreement		Funds received during the year		Funds utilized during the year 2014		Funds utilized up to 31 December 2014	
	US\$ million	Rs. million	US\$ million	Rs. million	US\$ million	Rs. million	US\$ million	Rs. million
GFATM	9.04	1,083.02	0.69	90.0	0.52	67.77	8.14	945.5
	9.04	1,083.02	0.69	90.0	0.52	67.77	8.14	945.5

The following observations are made.

- (a) It was observed that US\$ 0.69 million equivalent to Rs. 90 million had been released by the General Treasury during the year under review and out of that, a sum of US\$ 0.52 million equivalent to Rs. 67.77 million had only been utilized by the Project. Further, according to the detailed budget of the Project, US\$ 9.04 million expected to be released from the Global Fund during the period from 2008 to 2014 and out of that US\$ 8.41 million had been released to the Project. The Project had utilized US\$ 8.14 equivalent to Rs. 945.5 million only as at 31 December 2014.
- (b) The total allocations aggregating Rs. 41,808,125 made during the year under review for 30 programmes of the Project had not been utilized entirely. Although a sum of Rs. 10,118,500 had been allocated for other 10 activities of the Project, a sum of Rs. 2,379,650 representing 24 per cent of total allocation only had been utilized as at 31 December 2014.
- (c) Out of total proceeds of Grant received, a sum of Rs. 17,548,705 equivalent to US\$ 133,908 had been refunded to the General Treasury at the end of the year under review without utilizing such proceeds for intended purposes.

### **3.2 Physical Performance**

The following observations are made.

- (a) Even though 164 training programmes were expected to be conducted for the training of 5,955 officers during the year under review, only 137 programmes had only been conducted and 3,864 officers had only been participated for such training programmes.
- (b) Although 120 persons were expected to participate for the annual review meeting organized by the Project only 50 persons had attended.
- (c) Ten LEDMicroscope valued at Rs. 4,070,000 procured on 18 July 2014 had remained idle up to 27 March 2015 at the premises of National Tuberculosis Reference Laboratory.