

Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM Project) - 2018

The audit of the financial statements of the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM Project) for the year ended 31 December 2018 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 the Grant Agreement No.857-LKA-T-MOH dated 29 February 2016 entered into between the Democratic Socialist Republic of Sri Lanka and the Global Fund to Fight AIDS, Tuberculosis and Malaria. My comments and observations which I consider should be report to Parliament appear in this report.

1.2 Implementation, Objectives, Funding and Duration of the Project

According to the Grant Agreement, the Ministry of Health Nutrition and Indigenous Medicine is the Executing Agency and Implementing Agency of the Project. The objective of the Project is to strengthen the Tuberculosis Control Programme in Sri Lanka. The activities of the Project are implemented under Tuberculosis components namely Tuberculosis New Funding Model. As per the Grant Agreement, the estimated total cost of the Project amounted to US\$ 7.91 million equivalent to Rs.1,033.99 million was agreed to be financed by Global Fund to Fight AIDS, Tuberculosis and Malaria. The Project had commenced its activities on 01 January 2016 and scheduled to be completed by 31 December 2018. However, the date of completion of the activities of the Project had been extended up to 31 December 2021.

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 2018, financial performance and its cash flows for the year 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 skepticism 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. Comments on Financial Statements

2.1 Non-compliance with Laws, Rules and Regulations

Reference to the Laws, Rules and Regulations	Non-compliance	Impact	Response of the Management	Auditor's Recommendations
Financial Regulation (a) No. 371(5) of the Democratic Socialist	The ad-hoc sub imprest aggregating to Rs.242.86 million	Non-compliance with applicable rules	Not commented.	Actions should be taken to obtain the approval of the

<p>Republic of Sri Lanka and Public Finance Circular No. 03/2015 dated 14 July 2015.</p>	<p>exceeding the and internal maximum limit of control system. Rs.100,000 had been granted in 17 occasions, contrary to the provisions made.</p>	<p>General Treasury to provide advances exceeding the ceiling amount.</p>
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<p>(b) Eventhough the ad-hoc sub imprest should be granted on the immediate date before the specific purpose, sub imprests aggregating to Rs.1.96 million had been granted in 78 instances during the year under review for over the period ranging from 02 to 09 months before the due date. Further, it was observed that the ad-hoc sub imprests issued in 61 instances aggregating Rs.1.75 million had not been used for the intended purposes and settled with delays 01 to 10 months.</p>	<p>Non-compliance with applicable rules and internal control system.</p>	<p>Not commented.</p>	<p>Advance payment should be granted on the immediate date before the specific purpose and settled without delays.</p>
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3. Physical Performance

3.1 Physical progress of the activities of the Project

Audit Issue -----	Impact -----	Response of the Management -----	Auditor's Recommendations -----
<p>According to the Progress Update and Disbursement Request of Tuberculosis Control for New Funding Model, 461 Budget Line Activities were scheduled to be implemented during the period of the Project through 11 Budget Cost Categories. It was observed</p>	<p>Risk to achieve the objectives of the Project and utilized the allocations in timely manner.</p>	<p>Not commented.</p>	<p>Actions should be taken to utilize all funds received for the intended purposes.</p>

that the allocation of US\$ 237,192 equivalent to Rs.38.55 million had been made under 26 Budget Line Activities and out of that US\$ 59,467 equivalent to Rs.9.67 million had only been utilized at the end of the year under review. Further, the Project had spent US\$ 608,691 equivalent to Rs.98.94 million exceeding the allocation of US\$ 235,267 equivalent to Rs.38.24 million made under other 08 Budget Cost Categories.

3.2 Underutilized Resources

----- Audit Issue -----	Impact -----	Response of the Management -----	Auditor's Recommendations -----
According to the information received, only US\$ 6.26 million equivalent to Rs.979.10 million had been utilized as at 31 December 2018, out of the total allocation of US\$ 7.91 million equivalent to Rs.1,033.99 million expected to be utilized during the period of the Project. Further, US\$ 210,086 equivalent to Rs.34.13 million had been refunded to the Ministry of Finance at the end of the year under review.	Risk accomplishing the intended tasks.	Not commented.	Actions should be taken to utilize all the funds received to achieve of the objectives.

3.3 Matters in Contentious Nature

----- Audit Issue -----	Impact -----	Response of the Management -----	Auditor's Recommendations -----
(a) The physical verifications had not been carried out for the year ended 31 December 2018 in respect of fixed assets procured by the Project at a cost of US\$ 2.88 million	Control over the fixed assets of the Project would be	Not commented.	Actions should be taken to complete the physical verification.

equivalent to Rs.522.84 million, weaken. since 2008.

(b) The transactions of the Project during the year under review were not subjected to audit of the Internal Audit Section of the Ministry of Health, Nutrition and Indigenous Medicine, as per the Financial Regulation 133. However, a separate audit report had been issued by a firm of Chartered Accountant on the financial statements of TB New Funding Model Component of the Global Fund to Fight AIDS, Tuberculosis and Malaria Project for the year ended 31 December 2018 to the Ministry of Health, Nutrition and Indigenous Medicine and expressed unmodified audit opinion thereon. However, the concurrence of the Auditor General had not been requested thereon.	-	Not commented.	Actions should be taken to obtain the concurrence of the Auditor General.
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3.4 System and Controls

----- Audit Issue -----	Impact -----	Response of the Management -----	Auditor's Recommendation -----
It was revealed in audit that the information relating to the Tuberculosis patients and the deaths occurred thereon etc. was not readily made available at the Line Ministry, due to several reasons such as lack of mechanism to maintain records of the patients by the Line Ministry and the reluctance of the patients to disclose the nature of the diseases.	Inability to measure the effectiveness of the activities of the Project.	Not commented.	Actions should be taken to establish a mechanism and to maintain the records relating to the Tuberculosis patients and the deaths occurred thereon.