

Second Health Sector Development Project Component –II - 2018

The audit of financial statements of the Second Health Sector Development Project Component –II 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 in the Financial Agreement No-5228 LK dated 19 August 2013 entered into between the Democratic Socialist Republic of Sri Lanka and the International Development Association. 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 Financing Agreement, the activities of the Project at national level are expected to be implemented by then Ministry of Health, presently the Ministry of Health, Nutrition and Indigenous Medicine whilst the activities of the provincial level are expected to be carried out by the Ministry of Provincial Councils and Local Government. According to the Project Appraisal Document, the Project is implemented to provide financial support to implement the National Health Development Plan for the year 2013-2017. The objective of the Project is to upgrade the standards of performance of the public health to enable for better respond to the challenges of the malnutrition and non-communicable diseases. According to the Financing Agreement, the total estimated cost of the Project amounted to SDR 129.80 million (US\$ 200 million) equivalent to Rs.25,270 million and out of that SDR 6.50 million (US\$ 10 million) equivalent to Rs.1,263.50 million had been allocated for the activities to be carried out under the Component - II of the Project. The Project commenced its activities on 01 July 2013 and scheduled to be completed by 30 September 2018. This report consisted with the comments on activities carried out by the Ministry of Health, Nutrition and Indigenous Medicine at national level under the Components-II of the Project.

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 Generally Accepted Accounting Principles.

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 Generally Accepted Accounting Principles 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. Physical Performance

2.1 Physical progress of the activities of the Project

Activity	Audit Issue	Impact	Comments of the Management	Recommendation
Pilot Study to Evaluate the Feasibility and Possibility of Incorporating HPV/DNA Screening Test into the National Cervical Cancer Screening Programme.	It was agreed to complete the respective research activities before 30 September 2018 and only 8,635 samples were tested even as at 31 August 2019 out of 10,000 samples planned to be tested during research period. Therefore, the research activities to determine the possibility to carry out tests by incorporating Cobas 4800 HPV/DNA tests, as a primary method for screening of cervical cancer in Sri Lanka had not been completed. It was observed that a sum of Rs.41 million had been spent by the Project to procure equipment and provide facilities to visit abroad on a study tour to evaluate the possibility of incorporating HPV/DNA screening tests.	Intended Project targets could not be achieved.	The action will be taken to instruct relevant officers to issue the final report as soon as possible.	The intended targets should be achieved within the Project period.