

Third Additional Financing for the COVID-19 Emergency Response and Health Systems Preparedness Project - (01 January to 30 April 2024)

The audit of the financial statements of the Third Additional Financing for the COVID-19 Emergency Response and Health Systems Preparedness Project for the period from 01 January to 30 April 2024 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. However, the date of completion of the activities of the Project had been extended up to 30 April 2024.

1.3 Qualified Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section 2.1 of my report, the accompanying financial statements give a true and fair view of the financial position of the Project as at 30 April 2024, statement of expenditure and its cash flows for the period ended in accordance with Sri Lanka Public Sector Accounting Standards

1.4 Basis for Qualified 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 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 scepticism 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 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. Comments on Financial Statements

2.1 Accounting Deficiencies

Accounting Audit Issue	Deficiency /	Amount Rs. million	Response of the Management	Auditor’s Recommendations
The value of the 3764 empty oxygen cylinders purchased and provided to hospitals		173.13	Chief Accountant (Stock Verification) has been instructed to check whether the relevant	All assets should be accounted for under non-financial assets.

during the year 2022. However, those assets had not been accounted under the non-financial assets of the Line Ministry.

hospitals which were provided Oxygen cylinders have accounted those cylinders

3. Physical Performance
3.1 Matters in Contentious Nature

Audit Issue	Management Response	Auditor's Recommendations
(a) 14 million doses of Pfizer vaccine for COVID-19 had been purchased in December 2021 and January 2022 at a cost of Rs. 16,102 million. However, requested to submit information on expired vaccines from these vaccines, that information had not been submitted to the audit until 14 March 2025.	Additional Secretary (Development) and Director (Epidemiology) have been instructed to collect the information requested and submit within a month period.	Expired vaccines should be identified and details should be submitted to the Audit.
(b) Medical supplies (Auto disable syringes, personal protective equipment and K 95 face masks) valued at Rs. 198.65 million had been purchased. However requested information on the used and expired quantities of those medical supplies, that information had not been submitted to the audit until 14 March 2025.	Additional Secretary (Development) and Deputy Director General (Medical Supplies) have been instructed to collect the information requested and submit within a month period.	The requested information should be submitted to the audit.