

Covid 19 Emergency Response and Health Systems Preparedness Project and the Second Additional Financing for the Covid 19 Emergency Response and Health Systems Preparedness Project - 2023

The audit of the Consolidated financial statements of the Covid 19 Emergency Response and Health Systems Preparedness Project and the Second Additional Financing for the Covid 19 Emergency Response and Health Systems Preparedness Project for the year ended 31 December 2023 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 52 of the World Bank Report No. PAD 3852 dated 02 April 2020 and section 71 of the World Bank Report No. PAD 4442 dated 22 April 2021. 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 of the Project, the Ministry of Health is the Executing Agency and the Project Management Unit (PMU) is the Implementing Agency of the Project. The objectives of the Project are to prevent, detect and respond to the threat posed by COVID – 19 and strengthen national systems for public health preparedness in Sri Lanka. As per the Loan Agreement, the estimated total cost of the Project was US\$ 209.11 million equivalent to Rs. 41,717.45 million and out of that US\$ 61.51 million equivalent to Rs. 12,271.25 million was agreed to be financed by International Development Association and US\$ 147.60 million equivalent to Rs. 29,446.20 million was agreed to finance by the International Bank for Reconstruction and Development. The Project had commenced its activities on 04 April 2020 and scheduled to be completed by 31 December 2023.

1.3 Opinion

In my opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Project as at 31 December 2023, statement of expenditure and its cash flows for the year then ended in accordance with Sri Lanka Public Sector 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 Consolidated Financial Statements

Management is responsible for the preparation of consolidated 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 consolidated 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 Consolidated Financial Statements

My objective is to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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

No	Reference to the Laws Rules and Regulations	Non Compliance/Audit Issue	Management Response	Auditor's Recommendation
(a)	Section 9.3 of Management Circular No. 01/2019 dated 05, March 2019,	The Project Steering Committee should meet at least once every two months. However, the committee had not met in the year under review.	The project steering committee has not been held due to various reasons beyond our control.	Should be followed Management Circular
(b)	Public Finance Revised Circular No. 01/2020 dated 28, August 2020 and the Finance Regulations No. 756 (1) and 756 (6)	A board of survey should be appointed for the annual board of survey within the time frame mentioned in the said circular, the Inventory items should be surveyed and the report should be submitted. however the projects had not appointed a formal board of survey to inspect the office equipment, furniture and fittings valued at Rs. 73 million and had not prepared an annual board of survey report	The members of the board of survey have been properly appointed. The board of survey report is submitted herewith.	Should be followed Financial Regulation
(c)	According to the general conditions of the contract agreement,	Although the construction work should have started within 14 days of receiving the contract acceptance letter, it was observed in the audit that the construction work had started with a 51 day delay	The contractor's letter dated July 12, 2022 requested -21 day approval to obtain the performance bond from the relevant banks due to the current situation in the country.	Should be followed Rules and Regulations

3. Physical Performance

3.1 Matters in Contentious Nature

No	Audit Issue	Impact	Management Response	Auditor's Recommendations
(a)	A lease agreement had been signed on 13 October 2021 to lease an area of 1,292.2 square feet for Rs.4.6 million of the J.R. Jayawardena Center Building to continue this project office for a period of 02 years. By 18, April 2024, 06 month have passed since the end of the lease agreement; however no arrangements have been made to extend the lease agreement. Accordingly, it was observed that Rs.1.5 million had been paid as rent from October 2023 to April 2024 without a formal lease agreement.	Fraud and errors can be occurred.	Rent agreement has been renewed properly with the approval of secretary Ministry of Health. Lease agreement has been signed and has been sent to the registration. The draft agreement is attached herewith.	Authorized payments should be made
(b)	Rs.10 million was paid for 500 units of Pesguard (01Liters) purchased for the Dengue Control Unit. As per the relevant contract agreement, although the active life time of these should have been 03 years, however the active life time of the materials supplied was only 01 year and 04 months.	Incurring losses	It had been noted 169 units of 01 liter Pesguard have been issued to the office of Regional Directors of Health Services Jaffna on 08 occasions.	Take disciplinary action against the persons who has accepted the goods.
(c)	Rs. 29 million was paid for 1500 units to the National Dengue control unit, however these stocks were remaining without issuing and they will expired on 16 December 2025.	Incurring losses	When issuing these insecticides, they will be issued with control as per the requirement of the institutions and will not be issued based on the expiry date only. Please note that this requirement varies based on the prevalence of dengue disease in epidemic and hyper-epidemic conditions.	Actions should be taken to minimize the loss