

Third Additional Financing for the COVID-19 Emergency Response and Health Systems Preparedness Project - from 27 September 2021 to 31 December 2021

The audit of the financial statements of the Third Additional Financing for the COVID-19 Emergency Response and Health Systems Preparedness Project for the First Accounting Period from 27 September 2021 to 31 December 2021 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 of the Project, the Ministry of Health is the Executing Agency and the Project Management Unit is the 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 estimated total cost of the Project was US\$ 100 million equivalent to Rs.21,000 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.

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 2021, statement of expenditure and its cash flows for the period 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 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 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	Management Response	Auditor's Recommendation
Paragraph 9.3 of Management Services Circular No. 1/2019 dated 05 March 2019	The Project Steering Committee would meet at least once in two months. However, it had not been conducted during the period under review.	Accepted. Action has been taken to organize the Project Steering Committee at least once every two months in future.	Action should be taken to comply with the circular instructions.

3. Physical Performance

3.1 System and Control

No	Audit Issues	Management Responses	Auditor's Recommendations
(a)	Although more than 06 months had been passed as at 22 August 2022 after receiving of 14 million doses of Pfizer vaccine purchases at a cost of Rs.16,102 million in the months of December 2021 and January 2022, the original copies of the invoices had not been provided for audit. Further, arrangement had not been made to enter receipt and issue of stock of vaccines in the computer system of the Medical Supplies Division.	No comments were made.	<ul style="list-style-type: none">Action should be taken to submit the original copies of the invoices for auditArrangement should be made to enter receipt and issue of stock of vaccines in the computer system of the Medical Supplies Division.
(b)	6 million doses of vaccine at a total cost of Rs.6,956 million had been issued to health institutions for vaccinations as at 31 July 2022. The vaccinations should be used within 30 days. However, the information relating to the remained balance stock had not been provided for audit. According to a sample audit test had revealed that 23,159 doses of vaccines valued at Rs.31 million had been disposed from use by 147 health institutions, due to exceeding 30 days.	No comments were made.	The information of the quantity of used or the quantity remained without using should be submitted for audit.
(c)	8 million doses of vaccines valued at Rs.10,737 million (57 percent of the total purchased stock) that were not issued to health institutions for vaccination had been stored at the National Blood Transfusion Center and Epidemiology Unit, due to expire on 31 July 2022. Subsequently, the World Health Organization had given the recommendation to increase the life time of unopened vaccines from 09 months to 12 months at temperatures between minus 60 and minus 90 Celsius for the emergency use process in 13 May 2022. The Director General of Health Services had extended the life time as instructed by the National Drugs Regulatory Authority of 7 million vaccine doses up to 12 months. However 316,926 of extended life time vaccine doses had been	<ul style="list-style-type: none">According to the recommendations given by the Pfizer BioNTech company, vaccines should be stored under Ultra low temperature (ULT) at minus 60 to 90 degrees Celsius temperature.The vaccines should be utilized only up to 30 days from the day of removal from the ULT, provided vaccines were stored at 2-8 °C temperature.The vaccines that were not utilized within these 30	Action should be taken to use the vaccines as per the instruction.

released for vaccination until 05 September 2022.

days, could not be used again, and should be discarded after 30 days.

- Based on the World Health Organization recommendations to extend the shelf life of the unopened vials of the vaccines that had been stored at temperatures between -90 °C to 60 °C, and after reviewing the information received from the manufacturer, the NMRA has given recommendations to extend the shelf life of four batches of the vaccine up to 31 October 2022.
- The approval for extension of the shelf-life was not yet granted to one batch of the vaccine. Upon inquiry by the Ministry of Health, the NMRA has informed that the information required for the extension of the shelf-life of this particular batch was not yet given by the suppliers.

(d) Although the annual financial statements of the project should be submitted for audit within two months of the end of the financial year, the financial statements of the project for the period from 27 September 2021 to 31 December 2021 had been submitted for audit on 17 June 2022.

Accepted.

Financial statements should be submitted to the audit in time.