

## **Tuberculosis New Funding Model Component of the Global Fund to Fight AIDS, Tuberculosis and Malaria Project - 2020**

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The audit of financial statements of the Project Tuberculosis New Funding Model Component of the Global Fund to Fight AIDS, Tuberculosis and Malaria Project for the year ended 31 December 2020 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. 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 Grant Agreement, the Ministry of Health is the Executing Agency and Implementing Agency of the Project. The objectives of the Project are 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\$ 2.9 million equivalent to Rs. 453.69 million was agreed to be financed by Global Fund to Fight AIDS, Tuberculosis and Malaria. The Project had commenced its activities on 01 January 2019 and scheduled to be completed by 31 December 2021. However, the date of completion of the activities of the Project had been extended up to 31 December 2024

### **1.3 Qualified Opinion**

In my opinion, except for the effects of the matters described in the tables 2.1 of my report, the accompanying financial statements give a true and fair view of the financial position of the Project as at 31 December 2020, statement of expenditure and its cash flows for the year then ended in accordance with Sri Lanka 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 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 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 Accounting Deficiencies

No	Accounting Deficiency / Audit Issue	Amount Rs. Million	Response of the Management	Auditor's Recommendations
(a)	The sufficient evidence had not been provided for audit amount shown in the retained earnings account as at the end of the year under review.	6.0	Retained earnings/losses remained consistent from year to year. This was primarily due to the accounting system. This does not have a monetary value.	Should submitted written evidence to the audit
(b)	In comparison with the schedules submitted to the audit, the total relation to the Global fund direct disbursement account balance and Property plant and equipment account balance is difference.	3.2	Not agreed. We are unable to record the discrepancy, and the documents we supplied to audit clearly tally with the figures of the financial statement 2020, as well as the summary of property, plant, and equipment and depreciation schedules.	Financial statements should be prepared correctly.

### 2.2 Non Compliance with Laws, Rules and Regulations

No	Reference to the Laws Rules and Regulations	Non Compliance/Audit Issue	Response of the Management	Auditor's Recommendations
(a)	Financial Regulation 756,	An annual board of survey should be appointed on or about December 31 every year. A survey board had not been not appointed to check inventory items valued at Rs. 549 million given to Welisara Hospital, Island wide Chest Treatment Centers and other health centers.	The asset verification budget activity line was not approved by the global fund, therefore we did not have funds from the GF to carry out the indicated assignment for verification purposes. Funding for this activity was requested, but GF was not granted. However, the project office chose to conduct annual asset verification with HIV Grant in order to better implement activity action.	Should comply with the Financial Regulation.

- (b) Section 9.3 of The Project Steering Committee should meet at least once every two months, however only one meeting had been conducted during the year under review . Accepted, there were several requirements to meet owing to the Covid -19 pandemic. However, the majority of the discussions were held online, and progress was tracked on a monthly basis. Should comply with the Circular instructions.
- (c) Circular No. MOFP/ERD/2007/2 dated 07 August 2007 issued by the Ministry of Finance. The annual financial statements should be submitted for audit within two months from the end of the financial year. However the financial statements of the year 2020 had been submitted for audit on 13 January 2023 by the delay of 02 year. This was primarily due to changes in guidelines. PIU initially prepared the same financial statement for external auditors as well as the government. However, beginning in 2019, the finance department must create two separate accounts for both. And PIU finance assumes that identical accounts designated for government audit can be produced. However, after several negotiations, it was finally agreed to prepare two different account sets in December 2022 at a meeting convened at the Ministry of Health. Due to personnel churn and excessive workloads, the PIU office is barely managing the work and will follow this guideline beginning in 2023. Should comply with the Circular instructions.

### 3. Physical Performance

#### 3.1 Idle/ Unutilized/ Underutilized Resources

No	Audit Issue	Response of the Management	Auditor's Recommendation
(a)	It was observed that Rs. 2.5 million which had been given in 52 occasions for various project works under the TB control program was kept for a long time without being used for the related works.	No Answer	The necessary activities should be done to achieve the desired objectivise

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| (b) | During the year under review, out of Rs. 2.7 million received from the Treasury Fund (GOSL), only Rs. 0.13million had been spent 95 percent from received fund had been sent again to the treasury. As only taxes and gratuities are paid from local funds, it was observed that treasury funds had been taken without properly identifying the need for local funds. | Agreed. We reviewed VOTE 17 and requested funds from GOSL, however, the actual expenditure fund was less than the originally suggested amount. The majority of the planned actions were unable to be completed, and funds assigned for tax payment purposes were returned to the ministry. As a result, PIU will be responsible for preventing further mismanagement. | The project steering committee should be assembled in due time and necessary activities should be done to achieve the desired objective.  |
| (c) | Rs.219,750 had been given for 7 programs in Matara district office, out of these programs only 3 were implemented and Rs.116,200 had been repaid.   | Agreed. Request for more clarification letter submitted to the Agreed. Request for more clarification letter submitted to region and respective officer, copy attached.   | The project steering committee should be assembled in due time and necessary activities should be done to achieve the desired objectivise |

**3.2 Matters in Contentious Nature**

**Audit Issue**

**Response of the Management**

**Auditor's Recommendation**

The Tuberculosis Control Program conducted a 06-day Tailor-Made Basic Course (GIS and Application) training workshop for 39 officers employed by the Ministry of Health from 27 July 2020 to 01 August 2020 at the Postgraduate Institute of Science, University of Peradeniya. Meanwhile, an expenditure of Rs. 1.4 million had been incurred evidence relating to attendance was not submitted for the audit to confirm the attendance of the officers who participated in this training program

A participant group shot is included in the meeting evidence documents. We will give an attendance list once we have contacted the appropriate authorities. We will share the document with the audit whenever we receive it.

Should submit written evidence to the audit