

Covid-19 Health and Social Security Fund - 2021

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Covid-19 Health and Social Security Fund for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance, statement of changes in equity/ statement of changes in net assets and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. This report includes my opinions and observation which should be presented to the parliament.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 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 qualified opinion.

1.3 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.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Fund is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Fund.

1.4 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- 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.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Fund, and whether such systems, procedures, books, records and other documents are in effective operation;

- Whether the Fund has complied with applicable written law, or other general or special directions issued by the governing body of the Fund ;
- Whether the resources of the Fund had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non-compliance	Comment of the management	Recommendation
In terms of the Financial Regulation 876(2) (a), which was included from para 15.1 of the Public Finance Circular No. 01/2020 dated 29 August 2020.	The parliamentary approval for this fund, which was established on 16 April 2020, should be obtained within one year from that date in accordance with Article 149 of the Constitution of the Democratic Socialist Republic of Sri Lanka. However, it was not received even by 18 July 2022, which was the date of audit.	Attention has already been drawn on the closure of the Covid-19 Health and Social Security Fund.	Parliamentary approval should be obtained.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a surplus of Rs. 274,070,004 and the corresponding surplus in the preceding year amounted to Rs. 1,672,798,912. Therefore a deterioration amounting to Rs. 1,398,728,908 of the financial result was observed. The reasons for the deterioration is decrease in grants by Rs.1,450,109,993.

3. Operational Review

3.1 Management Inefficiencies

Following observations are made.

Audit Observation	Comment of the management	Recommendation
(a) It was decided to install 500 health advisory signposts along the roads in terms of the decision of the Management Committee dated 19 February	No financial allocations have been released from the Covid-19 Health and Social Security Fund for installation of 500 health advisory signposts	Necessity of implementing decisions of the management committee.

2021 according to a new proposal presented by the Ministry of Health. A suitable sponsor had not been appointed to install such advisory signposts in the year under review, and the signposts were not installed as per the decision of the committee.

- (b) Even though it had been decided to made financial provisions of Rs. 408.43 million for purchasing 60 ambulances for 1990-Suvasariya Ambulance Service in terms of the report of the Management Committee dated 25 June 2021, no arrangements were made to purchase ambulances during the year under review.
- It was informed by the Ministry of Primary Health Care, Epidemic and Covid Disease Control that this project is temporarily suspended as the procurement process was not started yet since government expenses are constrained due to the current situation in the island and according to the National Budget Circular No. 03/2022 dated 26.04.2022.
- Decisions of the management committee should be implemented.
- (c) Even though it was decided to offer educational scholarships to children who lost their parents due to the Covid-19 pandemic in terms of the report of the Management Committee dated 29 October 2021, the educational scholarship award programme was not implemented during the year under review.
- A decision regarding the award of scholarships cannot be made as the initial arrangements to close the account are being planned.
- Decisions of the management committee should be implemented.

3.2 Under -utilization of Funds

Audit Observation	Comment of the management	Recommendation
<p>The following objectives were to be fulfilled by the Covid-19 Health and Social Security Fund.</p> <ul style="list-style-type: none"> • Providing urgent financial needs for 	<p>It has not been possible to incur the expenses as expected due to not</p>	<p>Finance required to achieve the objectives of the fund should be utilized.</p>

health care facilities including drugs, drug testing equipment and to build capacity to fight the Covid-19 pandemic.

- Bearing expenses on health services, health care workers and essential public service providers.
- Providing basic needs for children, women, low income people, aged, disabled and vulnerable people.
- Strengthening the public health sector by providing financial facilities for rural and remote dispensaries.
- Assisting local medical units in production and distribution of sanitary products using local raw materials, resources, knowledge and skills.
- Promoting innovation and testing to provide high quality protective clothing and hygiene products to the global market.

receiving enough project proposals under the objectives of the fund and stopping the projects agreed to provide financial allocations.

The balance of the fund as at 31 December 2021 totaled Rs.1,947 million had been withheld in the bank current account and million in the savings account as Rs.06 million and Rs.284.9 million respectively without utilizing it for the aforesaid purposes ,and Rs.1,656.10 million had been invested in fixed deposits.