Ms. Inoka Wijegunawardena
Financial Management Specialist
World Bank


Herewith enclosed a copy of the above report No. WNP2/CB/H/SHSDP/FA/2017 received from the Auditor General (Actg.) of Auditor General’s Department for necessary action please.

R.M.P. Senawirathna
Accountant
Second Health Sector Development Project

[Signature]

Second Oct 2017

Provincial Councils & Local Government, Division
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The Secretary,
Ministry of Provincial Councils, Local Government and Sports


1.2 Implementation, Objectives, Funding and Duration of the Project

According to the Financing Agreement of the Project, the Ministry of Provincial Councils, Local Government and Sports is the Executing Agency and Provincial Ministries of Health of the Provincial Councils are the Implementing Agencies of the Project at Provincial Level. The objectives of the Project are to upgrade the standards of performance of the public health to enable for better respond to the challenges of the malnutrition and non-communicable diseases. As per the Financing Agreement, the total estimated cost of the Project is SDR 129.8 million (US$ 200 million) equivalent to Rs.26,000 million. The Project commenced its activities on 01 July 2013 and scheduled to be completed by 30 September 2018.
1.3 Responsibility of the Management for the Consolidated Financial Report

Management is responsible for the preparation and fair presentation of these Consolidated Financial Management Report in accordance with Generally Accepted Accounting Principles and for such internal control as the management determines is necessary to enable the preparation of Consolidated Financial Management Report that are free from material misstatements, whether due to fraud or error.

1.4 Auditor’s Responsibility

My responsibility is to express an opinion on this Consolidated Financial Management Report based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Management Report is free from material misstatements. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Management Report. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Management Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Project’s preparation and fair presentation of the Consolidated Financial Management Report 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management as well as evaluating the overall presentation of the Consolidated Financial Management Report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion. The examination also included such tests as deemed necessary to assess the following.

(a) Whether the systems and controls were adequate from the point of view of internal control so as to ensure a satisfactory control over Project management and the reliability of books, records, etc. relating to the operations of the Project.
(b) Whether the expenditure shown in the financial statements of the Project had been satisfactorily reconciled with the enhanced financial reports and progress reports maintained by the Project.

(c) Whether adequate accounting records were maintained on a continuing basis to show the expenditure of the Project from the funds of the Government of Sri Lanka and the Lending Agency, the progress of the Project in financial and physical terms, the assets and liabilities arising from the operations of the Project, the identifications of the purchases made out of the Loan etc.

(d) Whether the withdrawals under the Loan had been made in accordance with the specifications laid down in the Financing Agreement.

(e) Whether the funds, materials and equipment supplied under the Loan had been utilized for the purposes of the Project.

(f) Whether the expenditure had been correctly identified according to the classification adopted for the implementation of the Project.

(g) Whether the Consolidated Financial Statements had been prepared in conformity with Financial Regulation 150 and the circular instructions issued by the Chief Secretaries of the respective Provincial Councils.

(h) Whether the satisfactory measures had been taken by the management to rectify the issues highlighted in my previous year audit report, and

(i) Whether the financial covenants lay down in the Financing Agreement had been complied with.
2. Financial Statements

2.1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that,

(a) the Appropriation Accounts of the nine Provincial Councils for the year 2017 presented to audit was prepared and presented in conformity with the provisions in Financial Regulation 150 of the Democratic Socialist Republic of Sri Lanka and circular instructions issued by the Chief Secretaries of the respective Provincial Councils. The above Appropriation Accounts were agreed with the records of the General Treasury, Annual Budget Estimates and the books, registers and records maintained by the Provincial Councils. The costs incurred out of the proceeds of Loan had been duly recorded in the Appropriation Accounts of the Provincial Councils and Operating and Monitoring Support Unit for the year 2017,

(b) the funds provided had been utilized for the purpose for which they were provided,

(c) the satisfactory measures had been taken by the management to rectify the issues highlighted in my previous year audit report, and

(d) the financial covenants laid down in the Financing Agreement had been complied with.