

Disaster Management Centre - 2019

1.1 Qualified Opinion

The audit of the financial statements of the Disaster Management Centre for the year ended 31 December 2019 comprising the statement of financial position and the statement of financial performance, statement of changes in equity 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(1) 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 and Finance Act, No. 38 of 1971. My comments and observations which I consider should be reported to Parliament, appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.5 of this report, the financial statements give a true and fair view of the financial position of the Disaster Management Centre as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.5 of this report.

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 determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Centre'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 Centre or to cease operations, or has no realistic alternative but to do so.

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

As per Sub-section 16(1) of the National Audit Act, No. 19 of 2018, the Centre 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 Centre.

1.4 Scope of Audit

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, 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 Centre'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 Centre'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 Centre 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 Centre, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Centre has complied with applicable written law, or other general or special directions issued by the governing body of the Centre;
- Whether the Centre has performed according to its powers, functions and duties; and
- Whether the resources of the Centre had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Financial Statements

1.5.1 Internal Control over the Preparation of Financial Statements

The Centre is required to “devise and maintain” a system of internal accounting controls sufficient to provide reasonable assurance that, transactions are executed in accordance with management’s general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable reporting standards , and to maintain accountability for assets, access to assets is permitted only in accordance with management’s general or specific authorization, and the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

1.5.2 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
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(a) Provisions had not been made in the financial statements for expired inventories which should be destroyed costing Rs.1,652,924 and deficits of inventories and inventories misplaced, identified at the annual stock verification.	It is kindly informed that action is being taken in this connection.	Necessary action should be taken relating to expired goods which should be destroyed, identified deficits of goods and goods misplaced.
(b) A supplier of motor vehicles had filed a case against the Centre for recovery of Rs.15 million. Moreover, 07 other external parties as well had filed cases against the Centre claiming compensation. However, in terms of Sri Lanka	It is kindly informed that action will be taken to disclose this information in the financial statements.	Disclosures should be made in the financial statements in terms of the Accounting Standard.

Public Sector Accounting Standard 08, neither provisions had been recognized nor had they been disclosed in the financial statements relating to these responsibilities.

- (c) The comparison of budget amounts and the actual amounts which should be presented in the financial statements and the disclosures relating thereto, had not been made by way of notes to financial statements in terms of Sri Lanka Public Sector Accounting Standard 15. Has been indicated in page No.06 of the set of financial statements. In presenting the progress of the Centre in comparison with budgeted data, they were presented in a manner where users of financial statements are assisted to get a better understanding. However, it is indicated in the Standard that this column for comparison of the difference is not essential. - do -
- (d) Employees' benefits should be computed and provisions made according to the Actuarial Valuation Method based on actuarial assumptions such as employee turnover, disability and early retirement, discount rates; future salary increments and benefits in terms of Sri Lanka Public Sector Accounting Standard 19. However, the institute had indicated only a provision of Rs.39 million in the financial statements based on common legal provisions. Necessary action will be taken in future in the presentation of financial statements. - do -

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

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a)Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i)Financial Regulation 237	Certificates had not been presented on completion of works of 14 Disaster Mitigation Projects estimated to the value of Rs.71,750,056.	Certificates on completion of works relating to 13 projects had been received and certificates had not been received as the payments of remaining projects had not been completed.	Action should be taken in terms of Financial Regulations in obtaining certificates on completion of works.
(ii)Financial Regulation 751	Even though all receipts and issues of stores should be properly accounted for, action had not been taken by the Centre to enter receipts and issues in books immediately.	The duties of storekeepers have been further segregated and assigned to another Management Assistant to prevent such situations in future. Necessary steps will be taken in future to ascertain the accuracy of registers and security of goods at least once in 02 months. Steps have been already taken to carry out updating of books and records	Action should be taken to follow the provisions in Financial Regulations.
(iii)Financial Regulation 752	Every entry in the Inventory Book must be supported by an inventory	It is agreed that entering numbers of relevant notes on goods received and	Action should be taken to follow the provisions of the Financial Regulations.

voucher. However, action had not been taken to number the notes of receipts and issues of goods relating thereto in Inventory Vouchers. Moreover Inventory Vouchers, both for receipts and issues, must be consecutively numbered, and must be kept filed in that order. Nevertheless it was observed that the notes of goods received and issued in the Centre had not been numbered and filed in consecutive order.

issued, had been neglected in many instances. As receipts and issue of computer print outs is carried out by a system, numbers are issued in consecutive order. The error of double counting shall not occur in any condition, whatsoever. Moreover, entries in inventories are compared with the computer system daily by the Storekeeper.

(iv)Financial Regulation 754

At the end of each financial year, the Inventory Book must be balanced and the 'balance on hand' must be carried forward to the next financial year. However, the Inventory Books of the Centre had not been so balanced and the balances had not been carried forward after the year 2018.

It has been informed that the duties have been assigned to another employee to prevent this situation.

Action should be taken to follow the provisions of the Financial Regulations.

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| (b) Public Finance Circular No.01/2012 of 05 January 2012 Paragraph 3.1 | A representative nominated by the Disaster Management Centre should be included in Committees for selecting of community based organizations for awarding of direct contracts.
However, such a representative had not been appointed. | It is informed that the District Secretaries have been briefed on this matter. | Action should be taken to appoint representatives for committees in terms of provisions of the Public Finance Circular. |
| (c) Public Administration Circular No. 6/97 of 03 February 1997 Paragraph 02(VI) | Even though the Head of Institute should review the recommendations made by him relating to assignment of overtime every once in 03 months, it had not been so done. | According to the roster approved by the Head of Institute, employees have been deployed in service monthly. As this service procedure is implemented in the institute throughout the year, it is not reviewed once in 03 months. | Action should be taken in terms of Circular provisions. |
| (d) Public Administration Circular No.19/89 of 23 March 1989 Paragraph 05 | As per the information indicated in sub-sections of the paragraph, a register should be maintained for overtime. Nevertheless, a register had not been maintained in terms of the circular. | A register for overtime is maintained from the year 2019. It has been noted to update the register in terms of the Public Administration Circular. | - do - |

(e) Public Enterprises Circular No.12 of 02 June 2003 Paragraph 9.7	Even though a payment of Rs.3,428,400 had been made as allowances for preparation of data for multi hazard mapping, approval of the Treasury had not been obtained therefor.	Preparation of data in the project report submitted to the National Planning Department for preparing the multi risk profile, has been identified as one function. As such, it is kindly informed that action had not been taken to obtain approval separately.	Action should be taken to obtain approval before making payments.
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2. Financial Review

2.1 Financial Results

The operations of the year under review resulted in a deficit of Rs.65.03 million as compared with the corresponding deficit of Rs.33.32 million for the preceding year, thus observing a decline of Rs.31.71 million in the financial result. The decrease in grants and other income had mainly attributed to this decline.

3. Operating Review

3.1 Management Inefficiencies

Audit Observation	Comments of the Management	Recommendation
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(a) The Sri Lanka Disaster Management Act, No.13 of 2005 had been amended since the year 2008. However, it had not been submitted for approval of the Parliament until 31 December 2019.	The amendments to the Sri Lanka Disaster Management Act, No.13 of 2005 is made by the Disaster Management Division.	Action should be taken to make amendments to the Act and to obtain approval of the Parliament.
(b) A sum of Rs.1.30 million had been provided in the year 2015 to the Centre through the United Nations Development Programme for preparing a plan for disaster risk mitigation according to the Sendai Framework, which is an international requirement. However, such a plan had not been	The Ministry has decided that the National Disaster Management Plan should be revised. Accordingly, the prepared draft is being revised on the views of various parties. It is	Prompt action should be taken to prepare the National Disaster Management Plan.

prepared even by 31 December 2019. Moreover, in terms of 2(a) of Chapter 8 of the Sri Lanka Disaster Management Act, No.13 of 2005, a sum of Rs.2 million had been provided by the United Nations Development Programme, to the Centre in the year 2017 for preparing a National Disaster Management Plan for the period from 2018-2030. Nevertheless, the relevant purpose had not been completed even by 31 December 2019.

informed that steps will be taken to seek approval within the remaining 3 months.

(c) Even though provisions of Rs.26.9 million had been made for construction of agricultural wells in the Monaragala District, action had not been taken in accordance with the Guidelines of the District Secretary. As such, a sum of Rs.10.5 million had been taken over by the Ministry on 10 December 2019. Moreover, provisions of Rs.26.5 million had been made for constructing agricultural wells for 53 recipients. However, monies had been spent without evaluating the requirement of the recipients. As such, Rs.12 million spent for constructing 24 unnecessary wells had been a fruitless expenditure.

Selection of wells had been carried out with the supervision of the District Secretary and the coordination of the District Assistant Director. As such, in enquiring thereon from the District Secretary, the Guidelines used by the District Secretary had been submitted to the Centre. The Guidelines submitted by the District Secretary to the Centre had been used in the selection of wells.

The Centre should ensure that Guidelines will be followed.

3.2 Underutilization of Funds

Audit Observation	Comments of the Management	Recommendation
<p>A sum of Rs.3.56 million received for 05 various programmes from the United Nations Development Programme in the year 2015, Rs.1.75 million granted by the SAARC Organization in the year 2015 as advances and funds of Rs.772,000 granted by various organizations and institutions had not</p>	<p>The SAARC Disaster Management Centre, through the SAARC Organization has granted advances to Sri Lanka for holding a summit for disaster risk mitigation with</p>	<p>Action should be taken to utilize funds for relevant purposes.</p>

been utilized for relevant purposes. Moreover, Rs.2 million provided for preparation of disaster risk mapping for 10 cities by the Ministry of National Policy and Planning and Rs.2 million granted by the World Food Programme had been returned without making use.

the participation of countries of the SAARC Organization and countries of the Asian Region. While the initial process was commenced and implemented, the SAARC Disaster Management Centre was restructured. The restructured SAARC Disaster Management Centre has not been established according to regional cooperation agreement up to now. As such, a definite decision could not be taken on these monies. It had been planned to spend the sum of Rs.1,000,000 granted for mitigation of remaining disaster risks at provincial level for remaining activities after preparing instructions for mitigation of disaster risks. However, examinations are carried out regarding preparation of instructions for disaster risk mitigation. As such, these monies could not be spent therefor.

3.3 Procurement Management

Audit Observation	Comments of the Management	Recommendation
<p>(a) The Procurement Committee for selecting a consultancy firm for preparation of Guidelines for including Disaster Risk Mitigation into the development stream, had not been appointed by the Secretary to the Ministry in terms of paragraph 2.6.3 of the Guidelines on Selection of a Consultant. Moreover, in terms of paragraph 3.4 of the Guidelines, an estimate had not been prepared before commencement of procurement activities. Only 20 per cent of the agreed value could be paid as advance in terms of paragraph 6.6.4 of the aforesaid Guidelines. However, 30 per cent of the agreed value, which is Rs.1,927,500 had been paid without a surety. In terms of paragraph 6.6.1 of the Guidelines, an agreement had not been entered into and the relevant purpose had not been achieved as well.</p>	<p>The Secretary to the Ministry has appointed a committee for reporting matters in this connection and the said Committee report is due.</p>	<p>Action should be taken in terms of Procurement Guidelines.</p>
<p>(b) One hundred risk indicator books had been printed by spending a sum of Rs.1,850,000, including information on the multi hazards faced by Sri Lanka without clearly identifying a necessity and an objective and without a prior plan on the institutions to be distributed. Review and approval of specifications had not been carried out in terms of Guideline 2.6.1(a)(ii) of the Procurement Guidelines and books had been printed contrary</p>	<p>This situation has arisen due to non-distribution of books directly by the main stores according to requirement. Necessary steps will be taken in future to avoid such a situation.</p>	<p>Action should be taken to follow the Guidelines and to comply with the required specifications.</p>

to specifications prescribed for submission of quotations.

- (c) Even though the necessity of Polysack bags for preventing disaster risks due to effect of the Southeast monsoon rains had been pointed out in the year 2019 by the District Secretariats, the Centre had failed to plan the relevant purchases. As such, the relevant bags had to be obtained under urgent purchases. Accordingly, a sum of Rs.1,200,000 had been spent for purchase of goods in one day, contrary to specifications of the Technical Evaluation Committee and 500 bags out of them had been made use of by the Finance and Human Resource Division of the Centre.
- Quotations had been submitted for 50KG Polysack bags only by one institution. There was a risk of the banks of the small and medium lakes being broken even while carrying out this procurement procedure. As such, in consideration of non-submission of three bids by institutions at least for purchase of 50KG Polysack bags, the Technical Evaluation Committee had decided to consider purchase of 25KG Polysack bags. Moreover, wet 50KG sand bags with water cannot be carried by a single person and as such, the Committee had recommended the purchase of 25KG bags. Polysack bags have been distributed to several Districts and the Sri Lanka Army and 500 Polysack bags have been used by the Disaster Management Centre for disposal of waste.
- Purchases should be made in compliance with specifications of the Technical Evaluation Committee.
- (d) The Centre had released Rs.68.3 million to a third party for implementing 67 disaster management projects from the year 2016 to the year 2018.
- Action will be taken to complete the shortcomings in files.
- Action should be taken to properly maintain files relating to projects.

However, agreements relating to implementation of those projects, approved estimates prepared for projects, details on parties responsible for implementation of projects and follow-up action and copies of agreements entered into with contractors and progress reports had not been made available to Audit.

4. Accountability and Good Governance

4.1 Tabling of Annual Reports

Audit Observation	Comments of the Management	Recommendation
The Annual Reports from the years 2014 to the year 2017 had not been tabled in Parliament by the Centre even by 30 April 2019.	Cabinet approval had been received for the Annual Reports from the years 2014 to the year 2017 and action necessary for tabling in Parliament, is in progress.	Necessary action should be taken to table Annual Reports as per circular instructions.

4.2 Unresolved Legal Issues

Audit Observation	Comments of the Management	Recommendation
The Head Office building of the Centre had been constructed in the year 2010 with an expenditure of Rs.1034.39 million on a land belonging to the Department of Meteorology. Nevertheless, matters on legal vesting of the said land and building in the Centre had not been completed even by the end of the year under review.	It is informed that the matters on legal vesting of the said land and buildings in the Centre will be looked into and necessary action taken in future.	Necessary action should be taken to legally vest the relevant land and building.

4.3 Sustainable Development Goals

Audit Observation	Comments of the Management	Recommendation
Every Government Institution should act in terms of the “2030 Agenda” of the United Nations on sustainable development and the progress on achieving sustainable development goals and targets, has not been reported.	It is informed that action will be taken in future according to instructions given.	Action should be taken to achieve Sustainable Development Goals.

4.4 Staff Administration

Audit Observation	Comments of the Management	Recommendation
The approved cadre of the Centre as at 31 December 2019 stood at 465 while the staff deployed in service was 316. The number of vacancies in the staff was 149.	No comments were made.	Action should be taken to fill the vacancies of the staff.

