

Disaster Management Centre - 2013

The audit of financial statements of the Disaster Management Centre for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, 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 Section 13(1) of the Finance Act, No. 38 of 1971 and Section 18 of the Sri Lanka Disaster Management Act, No.13 of 2005. My comments and observations which I consider should be published with the Annual Report of the Centre in terms of Section 14((2)(c) of the Finance Act, appear in this report.

1:2 Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1:3 Auditor’s Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000 – 1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Centre’s preparation and fair presentation of financial statements in order to design audit procedure that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Centre’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the Audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

1:4 Basis for Qualified Opinion

My opinion is qualified based on the matters in paragraph 2.2 of this report.

2. Financial Statements

2:1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 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 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2:2 Comments on Financial Statements

2:2:1 Accounting Policies

Even though depreciation of an asset begins when it is available for use, contrary to that depreciation of assets in the year of purchase had been disregarded.

2.2.2 Sri Lanka Public Sector Accounting Standards

Sri Lanka Public Sector Accounting Standard No.01

Depreciation on motor vehicle received by the Centre as donations and the depreciation on computer accessories had been computed and understated by Rs.3,161,423 and overstated by Rs.19,256 respectively.

2.2.3 Accounting Deficiencies

The following observations are made.

- (a) Contributions paid to the Employees' Trust Fund and Employees' Provident Fund had been overstated by Rs.161,668 and Rs.1,077,789 respectively in those accounts due to an erroneous classification and the Salaries and Wages Account had also been overstated by similar amounts.
- (b) A sum of Rs.500,000 paid to the Sri Lanka land Reclamation and Development Corporation under the Kirama Oya Disaster Minimization Project, for the prevention of disaster had been shown under the investment on capital grants instead of being shown under work-in-progress.

2.2.4 Lack of Evidence for Audit

Bills relating to 5 payment vouchers for the expenditure amounting to Rs.6,468,909 incurred by the Centre on behalf of the Disaster Management National Council were not made available for audit.

2:3 Unsettled Advances

Out of the provisions amounting to Rs.7,245,882 given during the year under review to 25 District Secretariats for the preparation of preparedness plans, provision amounting to Rs.1,446,945 had not been settled even up to 31 December 2013. Further, advances totalling Rs.1,217,215 had been settled only after a delay of 6 months.

3. Financial Review

3:1 Financial Results

According to the financial statements presented, the operations of the Centre for the year under review had resulted in a deficit of Rs.9,860,861 as compared with the deficit of Rs.8,142,118 for the preceding year. Accordingly, the deficit for the year had increased by Rs.1,718,7453. Increase of expenditure on maintenance of plant machinery and other disaster management equipment had been the main reason for the increase of the deficit.

4. Operating Review

4:1 Performance

The following observations are made.

(a) Disaster Risk Minimization Projects

Identification and minimization of disasters such as floods, landslides, droughts, cyclones, coastal hazards and animal attacks faced by the people living in various regions in the island is the primary objective of the Project. Accordingly, the approval of the Department of National Planning had been granted to implement 84 projects consisting of small scale, medium scale and large scale projects. The estimated cost thereof amounted to Rs.398,962,375. The Centre releases funds to the District Secretaries to implement the disaster minimization projects. It was observed that post- inspections in respect of the implementation of projects after the commencement, had not been carried out.

The following observations are made in this connection.

- (i) Even though a balance of Rs.16,472,362 had remained with the District Secretaries as at the end of the year in respect of 7 projects implemented on cost estimates amounting to Rs.25,655,358 in Hambantota, Kalutara and

Matale Districts during the year under review, it was not observed whether that money had been remitted to the audit or formally transferred to other projects immediately after the end of the financial year.

- (ii) Even though the relevant bills, requisitions and the work completion reports should be submitted after the completion of every project, such information had not been presented in respect of 5 projects implemented at a cost of Rs.27,905,890 in Hambantota Matara and Kurunegala Districts during the year under review. Accordingly, the number of projects completed during the year could not be correctly ascertained.

(b) Preparedness Planning Activities

The preparedness planning is carried out by the Centre in every district with the objective of minimizing the disaster risks and 295 programs had been planned for the year under review in respect of preparedness planning and a sum of Rs.6,972,933 had been remitted to the District Secretaries for that purpose. Although action had been taken to conduct 295, programmes, action plans at the beginning of the programme and a work done report at the end of the programme had not prepared and submitted. As such it was not possible to obtain evidence in audit in support of the period of conducting the programme, response of the participants, the recommendations made for the minimization of problems.

4:2 Management Inefficiencies

The following observations are made.

- (a) The SLT Hub installed by the Disaster Management Centre in the year 2008 had not been in operating conditions from the year 2011 to 31 July 2014.
- (b) Despite the possibility of making payments in respect of the expected supply or service directly, advances had been released to the District Secretaries for the repair of motor vehicles attached to the District Secretaries. Of those advances, a sum of Rs.402,987 had not been settled even up to 31 December of the year under review.
- (c) A sum of Rs.12,484,343 had been given to the Centre by the United Nations during the year under review for the purchase of equipment under the Resilient Urban Development and Strategic Pre-intimation Capacity Building Project in respect of cities in Sri Lanka. Of that amount a sum of Rs.4,369,506 had been returned to the Treasury without being utilised to purchase relevant equipment.
- (d) Out of the equipment purchased by the Centre for emergency responses 8 types of equipment valued at Rs.15,510,050 had remained in the stores of the Centre even up to the end of the year under review without being distributed.

- (e) A stock of 1960 sets of books valued at Rs.1,454,035 prepared and printed by the United Nations in the previous year to be distributed among schools for the awareness of school children about disasters had not been distributed and remained in the stores for more than 2 years up to the end of the year under review.

4:3 Resources of the Centre given to External Parties

The Jeep valued at Rs.19,500,000 received by the Centre in the year 2010 under the Stage 2 of the Disaster Management Communication and Response Capacity Building Project, had been given for the use of an external party since November 2010.

4.4 Staff Administration

The following observations are made.

- (a) The approval for the Scheme of Recruitment to the posts of the Centre had been obtained from the Department of Management Services on 11 April 2011. It was observed that 31 posts had been vacant as at 31 December 2013. Action had not been taken even up to 31 July 2014 to fill 01 post of Director, 07 posts of Deputy Directors and 03 posts communication Technologists out of those posts remaining vacant for over 02 years
- (b) Even though the Director Prevention and Minimization Division of the Centre consists of Director (Operations) and 3 Assistant Managers, the Technical Officers for the follow up activities of the projects had not been recruited.

5. Accountability and Good Governance

5:1 Enactment of the Disaster Management Centre Act

The Disaster Management Centre was operated under Section 18 of the Sri Lanka Disaster Management Act, No.13 of 2005. Even though the Ministry of Disaster Management had amended the Act and forwarded to the Department of Legal Draftsman on 16 June 2014, the draft had not been approved up to 30 September 2014.

5:2 National Emergency Operating Plan

Preparation of a National Emergency Operating Plan covering responses to all calamities had been initiated in the year 2010 by incorporating the responding activities existing in the National Provincial District and regional levels. However, this plan had been at the draft stage upto 15 September 2014.

5:3 Internal Audit

Only 2 Internal Audit Officers had been attached to the Internal Audit Division of the Centre and as such it had not been possible a detailed internal audit to cover the activities of the Centre adequately.

6. Systems and Control

Weaknesses in systems and controls observed during the course of audit were brought to the attention of the Director General from time to time. Special attention is needed in respect of following areas of control.

- (a) Accounting
- (b) Settlement of Advances
- (c) Operation of Disaster Risk Minimization Projects
- (d) Stores Control
- (e) Grants of the Non-Governmental Organizations