

## **Report of the Auditor General on Head 106 - Ministry of Disaster Management - Year 2017**

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The Appropriation Account and the Reconciliation Statements of the Head and subject number in the first schedule and third schedule of the Amended Appropriation Act No. 24 of 2016 as amended by the Appropriation (Amended) Act No. 32 of 2017 had been presented to the audit by Ministry of Disaster Management. The financial and physical performance indicated from that Account and Reconciliation Statement was audited in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

### **1.2 Responsibility of the Chief Accounting Officer and the Accounting Officer for the Financial Management and the Accountability**

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As per Financial Regulation 124 of Financial Regulations of the Democratic Socialist Republic of Sri Lanka, the Minister of Finance is charged with the raising of Revenue and the collection of other Government monies as well as with the general oversight of the supervision of all the financial operations of government. The Chief Financial Officers have been appointed for performing those duties as per Financial Regulation 124 (2) . In accordance with the Financial Regulation 125(1) (a), the Head of Department is the Accounting Officer in respect of all the financial transactions of his Department and Revenue Accounting Officer is appointed by the Treasury. This responsibility includes the maintenance of accounts and the Reconciliation Statements that presented by performing own duties within the limits imposed by the Parliament in accordance with the provisions in Articles 148,149,150 and 152 of the Constitution of the Democratic Socialist Republic of Sri Lanka, other Statutory Provisions, Government Financial regulations and Administrative Regulations, preparation and planning, implementation and maintenance of internal controls in relation to present fairly.

### **1.3 Scope of Audit**

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The audit of planning in respect of financial and physical performance, management of public income, public expenditure, human and physical resources, using of internal control provisions, compliance with laws, rules and regulations and maintenance of books, documents, reports and reconciliation statements by updating, preparation and presentation of accounts timely, issuing performance reports based on performance indicators to the related parties of the Head 106 - Ministry of Disaster Management for the year ended 31 December 2017 was carried out in pursuance of provisions of Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. The Management Audit Report for the year under review had been issued to the Secretary to the Ministry on 12 October 2018. The audit observations, comments and

findings were based on a review of the plans, accounts, reconciliations and performance reports presented to audit and substantive tests of samples of transactions. That review and the scope and extent of tests were such as to enable as wide audit coverage as possible within the limitations of staff, other resources and time available to me.

#### 1.4 Audit Observation

Audit observations revealed at the audit carried out of Ministry of Disaster Management for the year ended 31 December 2017 had been stated in detail in the Management Audit Report mentioned in the above 1.3 Paragraph. Material and significant audit observations had been mentioned in the Paragraph 2.1 to Paragraph 2. 12 of this report out of those observations. Except for the audit observations that revealed when performing the provisions of Financial Regulation 127 of Financial Regulations of the Democratic Socialist Republic of Sri Lanka so as to confirm the sufficiency of financial administration stated in the following note by summarizing, it was observed that the own accountability as the Chief Financial Officer had been accomplished in satisfactorily.

<b>Accountability of Chief Accounting Officer as per Financial Regulation 127</b>	<b>Non-compliance of those provisions by Chief Accounting Officer</b>	<b>Paragraph Reference to the report included the observation</b>
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Financial Regulations -----		
127 (1) (a) All financial works should be planned so as to confirm that the works are in correctness and financial propriety.	1. Deficiencies appear in the Action Plan 2. Deficiencies appear in the Procurement Plan 3. Non-maintenance of registers and books. 4. Deficiencies in Human Resources Management	2. 1.1 2. 2.1 2. 9 2. 11
127 (1) (b) A system should be provided for adequate controls over expenditure and collection of public revenue.	1. Management weaknesses 2. Non- compliances	2. 5 2. 10
127 (2) Existing items of expenditure, as well as proposals for new or	1. Limitations in key functions 2. Deficiencies in implementation of Procurement Procedure	2.3. 2 2.2 .2

increased expenditure in the departments under own control, are closely examined in the Ministry from the points of view of economy and efficiency.

127 (3)	A way of all cases of doubt or difficulty is referred to him so that he may bring his own administrative experience and judgement to bear on them.	<ol style="list-style-type: none"> <li>1. Weaknesses appear in Progress Reports</li> <li>2. Weaknesses in execution of services to the public</li> </ol>	<p>2.3.1 (c), (d), (e)</p> <p>2. 6</p>
127 (5)	The important variations between Departmental Estimates and expenditure receive critical examination at the Ministry	<ol style="list-style-type: none"> <li>1. Non-utilization of provisions made available</li> </ol>	<p>2. 7</p>
127 (6)	The collection of Revenue or other Government dues for which Accounting Officers are responsible is closely watched and examined by the Ministry.	<p>Deficiencies appear in Advances to Public Officers Account</p>	<p>2. 8</p>
127 (7)	The procedure laid down in Financial Regulations 103 to 108 is followed by the Accounting Officers, in case of losses caused to Government by the delays, negligence, fault or fraud on the part of officers/employees and surcharges are imposed on the officers/ employees responsible for such losses, in terms of Financial Regulations. 156 (1) . It is also a duty of the Chief Accounting Officer to	<ol style="list-style-type: none"> <li>1. Losses and damages</li> <li>2. Not obtaining Security Deposits from related officers who engaged in financial activities</li> </ol>	<p>2. 6</p> <p>2. 12</p>

appear before the Committee on Public Accounts and to assist it along with his Accounting Officer in explaining and justifying the accounts of the departments for which he is responsible.

## **2. Material and Significant Audit Observations**

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### **2.1 Performance**

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#### **2.1.1 Planning**

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The Action Plan for the year 2017 had been prepared in terms of the Public Finance Circular No.01 / 2014 dated 17 February 2014 . The following observations are made in this regard.

- (a) The updated Organizational Structure of the institution for the year under review, the details of the approved cadre and the actual cadre in the service had not been furnished.
- (b) The Imprest Requirement Plan for Annual Activities had not been prepared.
- (c) The Information with regard to the recurrent provision amounted to Rs. 129.57 million appeared in the Revised Action Plan of the Ministry of Disaster Management had not been included in the Progress Report.
- (d) The detailed information in respect of the provision amounted to Rs. 6.15 million relating to the Minister's Office and the provision amounted to Rs. 14 million relating to the Ministry mentioned under the Capital Items in the Revised Action Plan had not been provided and those purchases had not been shown in the Progress Report.
- (e) Even though it had been stated that the Parliamentary Act would be prepared and completed for the establishment of the National Building Research Organization as per the Action Plan, it was observed that the related activities had been slow even by the end of the year under review.

### 2.1.2 Limitation of Functions

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Instead of submission of valuation reports in respect of disaster damages to provide insurance benefits under the National Natural Disaster Insurance Scheme and all the other details to the National Insurance Trust Fund through the Secretary, Ministry of Disaster Management, in terms of the National Budget Circular No. 03/ 2016 (II) dated 26 July 2017 , it had been instructed that the relevant valuation reports and other details should be sent directly by the District Secretaries to the National Insurance Trust Fund and the National Insurance Trust Fund is required to release the relevant insurance benefits based on this information. As a result, the scope of the Ministry of Disaster Management had been limited in respect of paying compensation for the natural disasters.

### 2.2 Obtaining Supplies and Services through the Procurement Process

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Out of the provision made available amounted to Rs. 1669.1 million related to the below mentioned Objects through the Annual Budget Estimate for the Year 2017 and Supplementary Budget Estimates approved by the Parliament , the provision amounted to Rs. 1389.6 million had been utilized . Details are given below.

<b>Object</b>	<b>Description of Object Code</b>	<b>Net Provision made Available</b>	<b>Utilization</b>	<b>Savings</b>
		<b>Rs. Million</b>	<b>Rs. Million</b>	<b>Rs. Million</b>
	<b>Supplies</b>			
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1201	- Stationary and Office Requirement	5.3	5.2	0.1
1203	- Food and Beverages and Uniforms	0.08	0.08	-
	<b>Acquisition of Capital Assets</b>			
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2101	- Vehicles	615.00	431.6	183.4
2102	- Furniture and Office Equipment	9.56	9.34	0.22
	-			
2103	- Machines and Machine Equipment	74.98	74.92	0.06

2104	-	Building Construction	964.18	868.46	95.72
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		<b>Total</b>	<b>1669.10</b>	<b>1389.6</b>	<b>279.5</b>
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### 2.2.1 Planning Procurement

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The provisions amounted to Rs. 1669.1 million had been made available for achieving supplies and services through procurement process for the Ministry during the year under review and out of that a sum of Rs. 1389.6 million had been utilized. Although the Master Procurement Plan should be regularly updated during the period no more than six months in terms of Guideline 4.2.1 (e) of the Procurement Guidelines, it had not been so done.

### 2.2.2 Implementation of the Procurement Procedure

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- (a) The following observations are made regarding the purchase of 100 tractor bowsers at an estimated cost of Rs. 174.9 million and 20 lorry bowsers at an Estimated Cost of Rs. 105 million .
- (i) Without calling Bids on National Competitive basis in terms of Guideline 3.2 of the Government Procurement Guideline in respect of carrying out the procurement of 100 tractor bowsers by the Centre for National Disaster Relief Services, calling of Limited Bids had been made from the selected domestic suppliers in accordance with Guideline 3.3.
  - (ii) Quotations had been called again for 03 bidder institutions which were not provided quotations previously and an institution had been selected for the procurement of tractor bowsers. Because of this, it was observed that the procurement procedure had been carried out without transparency.
  - (iii) The due date of the completion of the supply order of 100 tractor bowsers had been extended at 02 occasions . It was observed that the above situation had arisen since the provisions had not been made available in the contract conditions stipulated by the Ministry in terms of Guideline 5.4.3 of the Procurement Guidelines for this purpose.
  - (iv) The supplier had been selected without following the National Competitive Bid Method for the contract of purchasing of 20 lorry bowsers at an estimated cost of Rs. 105 million.

(v) Twenty five tractor bowsers had been purchased again from the previously purchased institutions and accordingly, the 125 total tractor bowsers and 20 lorry bowsers had not been entered in to the Register of Fixed Assets and even though those had been issued to the District Secretaries the relevant tractor bowsers and lorry bowsers had not been properly taken over by the District Secretaries.

(b) The following observations are made regarding the purchase of 100 Automated Rain Gauges.

(i) Even though a sum of Rs. 53 million had been transferred to the Object of the National Building Research Organization from the Object of Centre for Disaster Management by the approval of the Treasury from the Financial Regulation Transform No. 882 of 21 December 2017, the Funds had not been released to that Institution. However, the procurement activities had been made to purchase Rain Gauges from this provision without proper approval by the Department of Meteorology.

(ii) However, Rain Gauges had not been received to the Store of the Department Meteorology even by 28 December 2017 . The expenditure for the purchasing of automated Rain Gauges was Rs. 37,052,906 and it had had not been taken in to accounts as an expense of this Ministry. A sum of Rs. 3,705,290 had been credited to the General Deposit Account as retention from that expenditure. The cheque amounted to Rs. 33,347,615 of which to pay for the suppliers had been retained by the Department of Meteorology for about four months of the year 2018 . As a result, it was observed that the expenditure in the Appropriation Account and the balance of the General Deposit Account of the Ministry had been overstated at the end of the year under review. Further, due to this, it was also observed that an amount to be transferred to the Treasury by the end of the year was retained without remit. Also, it was observed that a sum of Rs. 15,947,094 had been saved out of the provisions granted for the purchase of the Automated Rain Gauges by 31 December 2017 .

(c) A sum of Rs. 9,880,000 had been paid to National Building Research Organization on 27 December 2017 without consideration of the nature of the reconstruction work and the preparation of the cost estimates of the building where the Head Office located.

(d) Even though it should be submitted a report in a due form regarding Bid opening activities in terms of guidelines 6.3.6 and 6.3.7 of the Government Procurement Guidelines, it had not been so done whilst purchasing of two photocopying machines amounted to Rs. 989,000 .

## **2.3 Assets Management**

### **Conducting Annual Board Surveys**

Even though the Board of Survey Reports should be submitted on 17 March 2018 in terms of Paragraph 3.1.6 of Public Finance Circular No. 05/ 2016 dated 31 March 2016 those reports were submitted on 25 May 2018 .

## **2.4 Responsibility on Damages**

Due to the 5,000 metric tons of rice which had received as Drought Relief in the year 2017 from the Indonesian Government was unsuitable for human consumption, had been decided to sell for animal feed production. However, even though the purchase agreement entered in to had been breached by the relevant purchase institution, 50 per cent from the value of the Performance Security amounted to Rs. 22.57 million had been paid to the purchased institution. Due to lack of follow - up actions carried out by the Ministry to ensure that the rice sold for animal feed production is used for the production of animal feed, it was observed that a risk had occurred in order to the stock of rice would reach to the market for human consumption.

## **2.5 Management Deficiencies**

The following observations are made.

- (a) A sum of Rs. 1.10 million had been overpaid during the purchase of mats by the Center for Disaster Relief Services.
- (b) The suppliers had not been registered in case of a sudden disaster.
- (c) Out of the provision made in order to construct permanent houses for families living in high risky landslide zones by the Katuwana and Walasmulla Divisional Secretariats, a minimum portion such as 28 per cent and 38 per cent respectively had been paid to the beneficiaries.
- (d) The Districts had been named for the resettlement of the families who were removed from their places of residence due to flood, landslides and high risk as per the Decisions of the Cabinet of Ministers dated 25 July 2017 and a sum of Rs 119.2 million had been allocated for those activities in the Galle District which were not included in to that.
- (e) The first installment of Rs. 200,000 per each had been provided to 27 beneficiaries by the Elpitiya and Nagoda Regional Offices prior to receiving the approval of the National Building Research Organization and the relevant Local Authority of the area



for housing arrangements. It was observed that the progress of the entire Project had been disrupted and the utilization of the funds allocated to the Galle District Secretary had shown a poor progress due to the delays in make recommendations of the National Building Research Organization to the Risky lands and the lands that had been selected for resettlement of families.

- (f) A sum of Rs. 19 million out of provisions provided to the District Secretariat, Ratnapura had been retained at the District Secretariat Ratnapura whilst resettlement of the families who were removed from their places of residence due to flood, landslides and high risk.
- (g) None of the funds allocated to 03 Divisional Secretariats in Balangoda, Kahawatta and Kiriella had been spent and the amount less than 10 per cent had been utilized out of the provisions made for 05 Divisional Secretariats.
- (h) The payments had been made from 06 December 2017 only for two the beneficiaries in Ayagama Divisional Secretariat for the construction of a house on Government financial assistance and any installment had not been paid for 85 other selected beneficiaries. Further, even though 116 beneficiaries had been selected in 13 Divisional Secretary Divisions in Ratnapura District to purchase a land with a house , any installment had not been paid for 112 beneficiaries by 06 December 2017.
- (i) Financial assistance had to be provided to purchase lands and construction of houses in 12 Divisional Secretariat Divisions in Ratnapura District for 362 beneficiaries. However, financial assistance had not been provided for the 323 beneficiaries for the purchase of lands and to construct houses for the 358 beneficiaries even by 31 December 2017 .
- (j) Any financial assistance had not been provided for 878 beneficiaries who were selected in Ratnapura District for the construction of houses in a State land on government financial assistance.
- (k) A sum of Rs.140,000 had been provided to the Ambagamuwa Divisional Secretariat to pay as an advance for the owners of the 14 damaged houses due to heavy winds and landslides occurred during the year 2017 and a sum of Rs.75,000 had not been paid even by 31 December 2017 and that money had been retained in the General Deposit Account.
- (l) The goods which had remained without distribution out of the goods received to distribute for the people who were affected before the year 2016 in Walapane Divisional Secretariat had been piled up in the stores haphazardly. Further it was observed that those items were being destroyed and documents had not been maintained so that the value could be able to identified.

- (m) Fifty two requests had been made by the people who had affected by the various disasters in Hanguranketha Divisional Secretariat during the year under review and it had not been noted in the Record of Disaster Events in respect of the actions taken with regard to the 42 requests out of that.

## 2.6 Execution of services to the public

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A bank account had been opened in Bank of Ceylon for the collection of public aids to provide relief to affected people from the emergency disaster situations occurred in the year 2016 . A balance of Rs. 132.22 million had remained in that account as at 31 December 2017 and since no relief had been given to the affected people , the purpose of the opening of that bank account had not been fulfilled.

## 2.7 Utilization of Provision made by Parliament for the Execution of Activities

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The particulars relating to the provision made to the Ministry and utilization and savings for the 05 years period ended by 31 December 2017 are given below .

Year	Category of Expenditure	Net Provision	Utilization	Savings	Savings as a percentage of Net Provision
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		Rs. Million	Rs. Million	Rs. Million	
2013	Recurrent	551	467	84	15
	Capital	1,231	1,054	177	14
	<b>Total</b>	<b>1,782</b>	<b>1,521</b>	<b>261</b>	<b>15</b>
2014	Recurrent	985	966	19	2
	Capital	3,271	3,065	206	6
	<b>Total</b>	<b>4,256</b>	<b>4,031</b>	<b>225</b>	<b>5</b>
2015	Recurrent	1,293	733	560	43
	Capital	2,209	1,752	457	21
	<b>Total</b>	<b>3,502</b>	<b>2,485</b>	<b>1,017</b>	<b>29</b>
2016	Recurrent	741	661	80	11
	Capital	4,648	3,478	1,170	25
	<b>Total</b>	<b>5,389</b>	<b>4,139</b>	<b>1,250</b>	<b>23</b>

2017	Recurrent	8,898	6,974	1,924	22
	Capital	7,540	5,095	2,445	32
	<b>Total</b>	<b>16,438</b>	<b>12,069</b>	<b>4,369</b>	<b>27</b>

### **Appropriation Account**

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### **Non - utilization of the Provisions made available**

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The following observations are made.

- (a) Out of the total net provision made available for 02 Objects amounted to Rs. 50,793,500 had been entirely saved without utilization.
- (b) Due to overprovisions made available for 12 Objects, the savings after utilizing the provision had ranged from 39 per cent to 99 per cent out of the net provision related to those Objects.

### **2.8 Advances to Public Officers' Account**

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#### **Limits Authorized by Parliament**

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The limits authorized by the Parliament for the advances to Public Officers Account of the Ministry Item No. 10601 and the actual amounts are given below.

<b>Expenditure</b>		<b>Receipts</b>		<b>Debit Balance</b>	
<b>Maximum Limit</b>	<b>Actual</b>	<b>Minimum Limit</b>	<b>Actual</b>	<b>Maximum Limit</b>	<b>Actual</b>
-----	-----	-----	-----	-----	-----
<b>Rs. Million</b>	<b>Rs. Million</b>	<b>Rs. Million</b>	<b>Rs. Million</b>	<b>Rs. Million</b>	<b>Rs. Million</b>
20.00	18.99	4.50	7.62	42.00	28.65

The following observations are made in this regard.

#### **Non- recovery of Arrears Loan Balances**

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As per the Reconciliation Statement submitted for audit, the aggregate balances of loans outstanding besides the loan balances of the officers who had station transferred was Rs. 344,435 and although those outstanding balances had been existing ranged from 01 year and 06 months to 03 years and 06 months, the Ministry had failed to recover those arrears loan balances.

#### **2.9 Non- maintenance of Registers and Books**

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The Ministry had not maintained the below mentioned Registers and it was observed in audit test checks that the certain Registers had not been maintained properly in an updated manner .

<b>Type of Register</b> -----	<b>Related Regulation</b> -----	<b>Observation</b> -----
Register of Fixed assets	Treasury Circular No. 842 of 19 December 1978 in terms of Appendix 11 of Financial Regulation 502 (2)	Had not been updated .
Register of Losses and Damages	Financial Regulation 110	Had not been maintained
Register of Liabilities	Financial Regulation 214	Had not been maintained
Register of Security Deposits	Financial Regulation 891 (1)	Had not been maintained
Vehicle Log Books	Financial Regulation 1645 (a)	Had not been updated

## **2. 10 Non - compliances**

### **Non - compliances with Laws Rules and Regulations**

Instances of non - compliances with provisions in laws, rules and regulations observed during the course of audit test checks are analyzed below.

#### **Reference to Laws, Rules and Regulations**

#### **Non - Compliance**

(i) Sri Lanka Disaster Management Act No. 13 of 2005

The Council for Disaster Management which was the authority for taking Basic Policy Decisions in respect of Disaster Management had conducted only 02 meetings in the year 2017.

(ii) - do -

The National Emergency Operations Plan for the preparation of National Policies in respect of rescuing people and property in a national disaster situation had not been implemented.

## 2. 11 Human Resources Management

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### Approved Cadre, Actual Cadre and expenditure for Personal Emoluments

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The particulars in respect of the Approved Cadre, Actual Cadre and the Vacancies as at 31 December 2017 for the achievement of the functions mentioned in above Paragraph 2.1 are given below. The Ministry had incurred a sum of Rs. 235.40 million for the Object of personal emoluments for the year under review.

Category of Employees	Approved Cadre	Actual Cadre	Number of Vacancies
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(i) Senior Level	24	18	06
(ii) Tertiary Level	05	03	02
(iii) Secondary Level	445	400	45
(iv) Primary Level	47	41	06
<b>Total</b>	<b><u>521</u></b>	<b><u>462</u></b>	<b><u>59</u></b>

## 2. 12 Government Officers Required to give Security

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Although the officers who had been assigned or delegated under administrative or power over public money, revenue, stamps or undertaking goods or in charge or else distributing public funds of stamps or issuance of goods or those who certify the vouchers and sign cheques related to the Government Account should give Security in terms of Authority 612 of the Public Officers' Security Ordinance as perform their duties with integrity, the officers of the Ministry had not kept Securities.