

Disaster Management Centre - 2018

1.1 Qualified Opinion

The audit of the financial statements of the Disaster Management Centre for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and 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 observation which I consider should be reported to the Parliament appear in this report.

In my opinion, except for the effects of the matters described in the paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Disaster Management Centre as at 31 December 2018 and of its financial performance and its cash flows for the year then ended were prepared in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified 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 Disaster Management 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 intends to liquidate the Disaster Management Centre or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Disaster Management Centre financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, it 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.

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, 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 Disaster Management 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 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 and whether

such systems, procedures, books, records and other documents are in effective operation;

- Whether the Disaster Management Centre has complied with applicable written law, or other general or special directions issued by the governing body of the Disaster Management Centre
- Whether the Disaster Management Centre has performed according to its powers, functions and duties; and
- Whether the resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5 Financial Statements

1.5.1 Accounting Deficiencies

Audit Observation	Comments of the Management	Recommendation
(a) The delay charges amounting to Rs 1.82 million recovered by the Centre on late supplying of boat engines at the dates agreed with the Centre had been set off against the cost of the respective assets. As a result, the value of the assets was understated by that amount.	The actual cost of the assets is the amount paid by us to procure the respective assets. Therefore the delay charges amounting to Rs 1.82 million recovered from the payments made to the supplier had been correctly accounted.	The fair value of the assets need to be reflected in the accounts.
(b) It was observed that 29 sets of public addressing system procured at a cost of 4.9 million and 25 head set procured at a cost of Rs.975,000 had been shown in the statement of financial position under office equipment eventhough such assets were not physically received to the Centre as at 31 December 2018.	All necessary steps had been taken to utilize the allocations made to the Centre and issued the procurement orders thereon. However such orders had been cancelled subsequently due the failure of .supplier. However action had been made to avoid such situation in future.	The true and fair view of the affairs of the Entity is not reflected from the financial statements due to accounting of assets which were not actually possessed.

1.5.2 Inappropriate Evaluation or Estimations

Audit Observations	Comments of the Management	Recommendations
(a) Eventhough an allocation of Rs 480 million had been made in the Budget Estimate to implement the disaster mitigation projects during the year under review, the detailed	The allocation made for 2018 had been utilized settle the bills of the previous year , according to the instructions issued by the General Treasury.	(a) It is need to include the details of the Project to be implemented in the Action Plans.

information in connection with the projects expected to be implement in district wise had not been included in the Action Plans of the Disaster Management Centre

The allocation amounting to Rs 20 million to settle the bills of 15 projects implemented in 2017 had also been included in the above mentioned allocation and the outstanding bills of Rs 22.14 million had been settled as at 31 December 2018. However, according to the progress reports of the Centre an allocation aggregating Rs 474.43 million had been released to the District Secretaries to implement 278 projects in 2018. Out of that a sum of Rs. 361.49 million had been utilized as at 31 December 2018.

(b)The allocations to settle the bills of previous year to be requested separately.. The allocation of funds is need to be used to implement the plans of the year under review to ensure the prudent management of the fund allocation.

(b) It was observed that a sum of Rs 104.97 million representing 22 per cent of total allocation had been released to implement 93 projects in Anuradhapura district and it evident that the distribution of the funds allocation had not been made in fair manner. The allocation amounting to Rs 10 million used for the rehabilitation of the land of Aluthwattapara was observed as an activity which was not related to the disaster mitigation purposes.

The allocation of Rs 34 million had been made to rehabilitate wells for drinking and agricultural purposes in Anuradhapura district under the approval of the Cabinet of Ministers and as a result, the allocation had been increased for the district.

It is required to utilize the allocations to rehabilitated the location which actually vulnerable in natural disasters.

(c) Out of the allocation amounting to Rs 50 million made under the development of Multi Hazard risk aspects - purpose, only a sum of Rs 20.31 million had been utilized during the year under review and therefore, 59 percent of total allocation had not been utilised for intended purpose.

Not commented.

Action need to be taken to utilise the allocations for intended purposes.

1.6 Non- compliance with Laws, Rules, Regulations and Management Decisions

Reference to Law, Rules, Regulations and management Decisions etc	Non- compliance	Comments of the Management	Recommendations
Internal Circular No.2017/01 of 21 February 2017 which had been issued by the Centre	The action had not been taken to prepare plans to select disaster mitigation project to minimize the public protests and avoid subsequent amendments	The Assistance Director appointed at the district level, Divisional Secretary and District Secretary are required to certify the project which were selected as enable to minimise the public protests. Action will be taken to minimise the difficulties in this regard.	As per circular instruction, attention should be made on the requests of the general public.

2. Financial Review

2.1 Financial Result

According to the financial statements, the operating result for the year under review was a deficit of Rs.33.32 million and the corresponding deficit of the previous year amounted to Rs. 7.32 million. Thus, it indicated that there was an deterioration of the operating result by Rs. 26.0 million. The increase of the cost on staff remunerations was the main reason for the respective deterioration.

3. Operating Result

3.1 Management Inefficiencies

Audit observation	Comments of the Management	Recommendations
(a) The reports on completion of works are required to be sent to the Centre by the District Technical Officers immediately after completion of the works under the disaster mitigation projects. However, the completion reports on 202 projects implemented during the year under review at a cost of Rs 332.92 million had not been furnished even as at 31 December 2018.	It was informed to the District Secretaries to furnish the project completion report and such reports on 125 projects had been received as at 30 June 2019. Action had been taken to obtain the completion reports of the rest of the projects.	Immediate action need to be taken to obtain the completion reports of the projects to review the physical and financial progress of the projects.
(b) The action had been initiated in 2008 However, the respective amendments had not been submitted to the parliament even upto 31 December 2018 for approval purposes	Action is being taken by the Ministry of Disaster Management to amend the respective Act.	Action need to be taken to obtain the approval of the parliament to amend the Act in timely manner as enable to ensure the legality of the activities implemented on disaster management purposes.

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| (c) | <p>Even though a sum of Rs. 318,582 had been spent as at 31 December 2017 out of Rs. 1.30million ranted by United Nations Development Programme in 2015 for the preparation of a Disaster Mitigation Plan under the inter nationally accepted Sendai Framework, there was no such plan prepared. Further, it was informed by the Centre in the previous year that the said plan was required to be to be prepared by the Line Ministry. However , no action had been taken to prepare such a plan by the Line Ministry even as at 31 December 2018.</p> | <p>The draft report of the Strategic Plan in line with Sendai Framework had been submitted to the United Nations Organization in June 2019.</p> | <p>Action should be taken to prepare the disaster mitigation plans according to the internationally accepted standards.</p> |
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3.2 Funds Underutilized

Audit Observation

A sum of Rs 3.99 million received from United Nations Development Programme in 2015 to implement 06 miscelaneous programs and advances amounting to Rs 1.75 million received from SAARC Organization in 2015 had remained unutilized.

Comments of the Management

Action had been made to utilized the funds for the intemded activities.

Immediate actions need to be taken to use the funds to achieve expected activities.

3.3 Procurement Management

Audit Observations

- (a) The invitation for bids had been referred to 06 entities to procure 80 boats by the Centre. However 02 entities which were not registered as suppliers had been selected for that purpose. Further, according to the report of the Technical Evaluation Committee, 06 instances were identified that the specifications presented by the selected entities were not complied with the requirement of the Centre. Action had neither been taken to obtain the

Comments of the Management

- (a) Due to flood occurred in May 2018, a large number of boats were required and procurements had been made under emergency basis.
- (b) The procurement had been done only from few entities as such boats are produced by the limited number of entities.

- (a) The allocated funds need to be managed in prudent manner, as enable to complete the procurement requirements promptly.
- (b) It is needed to comply with the provisions made in the Government Procurement Guidelines in order to minimise the legal matter arisen in future.

- performance guarantee from the selected bidder in terms of paragraph 5.4.8 of the Government Procurement guidelines nor enter into a supply agreement thereon. According to the procurement documents the boars required to be supplied to the designated locations by the Centre. The transport cost had also been included in the agreed cost of Rs 9.92 million and in addition, a sum of Rs 675,155 had been charged.
- (b) Eventhough the approval of the ministry Procurement Committee had not been received to procure a Video Display Unit , a cheque at Rs 12 million had been prepared to made payments thereon on 28 December 2018 base on a Goods Supply Order prepared in fraudulent manner. The respective assets had been received on 28 December 2018 and remained in the stores even as at 30 April 2019 without taking action to record in the inventory registers.
- (c) It was observed that the action had been taken to procure 149 units of public addressing systems at an estimated cost of Rs 13.95 million without being entered into a written agreement and 29 such units supplied which were not complied with the specifications had been retained in the stores instead of being obtained a performance bond thereon. Further a sum of Rs 9.19 million had been paid by stating that the units received to the stores as at 31 December 2018. However, no such units had been received to the stores even as at
- (c) The performance bond had not been obtained as the selected bidder had supplied boats in the previous year as well.
- It was accepted that the deficiencies in application of the procurement process.
- Need to adopt with the procurement procedures and recognise the procurement requirements as early as possible.
- The Disaster Management Centre had taken action to procure public addressing system under 03 requirements using allocations and specifications made separately. Such requirement were as follows.
- 12 Units for training and educational purpose
 - 17 unit for the use of district offices
 - 120 for emergency operations.
- These procurement had

01 March 2019.

been made within the limits for the Department Procurement Committee. Eventhough it was not entered for a written agreement as per paragraph 8.9.3 of the Government Procurement Guidelines. Further performance bond had not been obtained as per paragraph 5.4.8 of the Government Procurement Guidelines due to trustworthiness of the supplier on completion of the contract on time with required quality. Therefore, the delay charges had been recovered on 120 units which were not complied with the requirements. Further, the procurement of 17 units had been cancelled as it was not supplied on time.

4. Accountability and Good Governance

4.1 Tabling of the Annual reports in the Parliament

Audit Observation	Comments of the Management	the Recommendation
The Annual Reports for the years from 2014 to 2017 had not been tabled in Parliament as at 30 April 2019 by the Centre.	Action is being taken to table the Annual Reports in the Parliament.	The Annual Reports need to be table as per Circular instructions to enable to supervise by the Steering Committees of the Parliament

4.2 Legal Matter unresolved

Audit Observation	Comments of the Management	the Recommendation
(a) The agreement entered on 11 December 2017 to hire 02 motor vehicles under an operating lease had been terminated by the Centre solely and the client partly had taken legal action against the Centre and claimed a compensation of Rs 15 million.	According to our understanding there is no impacts on disclosing of the details of such legal cases in the financial statements to the readers who take decisions on	The position of the legal cases raised against the Centre need to be disclosed.

In addition , other 07 cases raised against the Centre are remained unsolved at Courts . financial position and financial performance depicted in the financial statements of the Centre.

- (b) Even though the Head Office Building of the Centre had been constructed at a cost of Rs.1,034.0 million in 2010 in a land belongs to the Department of Meteorology , action had not been taken to transfer the ownership of the respective land and building to the Centre even at the end of the year under review. The necessary action had been taken to transfer the ownership of the respective land and building to the Centre. Therefore action had been taken to release the respective plot of land to the Centre after been prepared the deeds of the land. Action Need to be taken to bring the value of assets to account after being transferred the ownership of the plot of land.

4.3 Sustainable Development Goals

Audit Observation	Comments of the Management	Recommendation
Even though every government institution had to adhere to the “Agenda of the United Nations for the year 2030 on Sustainable Development”, the action had not been taken by the Disaster Management Centre to implement the activities under the scope of the works assigned to the Centre .	Action had already been taken to identify the objectives and being prepared the strategies thereon. The discussions had been held with Ministry of Sustainable Development and programs thereon are expected to implement upto 2030.	Prompt action is needed to be taken in this regards.