

Head 106 – Ministry of Disaster Management

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of Ministry of Disaster Management for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance and cash flow statement for the year then ended 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. The summarized reports on the financial statements of the Ministry of Disaster Management to be submitted in terms of the paragraph 11(1) of the National Audit Act No. 19 of 2018 which contained my comments and observations had been submitted to the Accounting Officer on 31 May 2019. The detailed management report of Ministry of Disaster Management to be submitted in terms of the paragraph 11(2) of the National Audit Act No. 19 of 2018 had been submitted to the Accounting Officer on 31 May 2019. This report in pursuance of provisions in Article 154 (6) of the Constitution read in conjunction with paragraph 10 of the National Audit Act No. 19 of 2018 is presented to the Parliament.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of Ministry of Disaster Management as at 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

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 Chief Accounting Officer and Accounting Officer for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and in terms of paragraph 38 of the National Audit Act, No. 19 of 2018 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.

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

In terms of Sub-section 38(1) (c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in Ministry of Disaster Management and carry out periodic reviews to monitor the effectiveness of such system and accordingly make any alterations as required for such systems to be effectively carry out.

1.4 Auditor's Responsibility for the Financial Statements

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 skepticism 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 internal control of the Ministry.
- Evaluate the overall presentation, structure and content of the financial statements in a manner that achieves fair presentation.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

I communicate with the Accounting Officer regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5 Report on Other Legal Requirements

As required by sub-section 6 (d) and sub-section 38 of the National Audit Act, No.19 of 2018, I state the followings.

- (a) As there was no requirement of preparation of financial statements for the preceding year, I could not state that the financial statements of the year under review are consistent with the preceding year.
- (b) As there was no requirement of preparation of financial statements for the preceding year by the Ministry, recommendations on financial statements had not been made in this Report.

1.6 Comments on the Financial Statements

1.6.1 Accounting Deficiencies

(a) Non-Revenue Receipts

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) Revenue amounting to Rs.186,433,631 had been collected under 04 income codes of the Ministry during the year under review. However, the Chief Accounting Officer had not been named as a Revenue Accounting Officer and therefore, the collected revenue had been stated as revenue receipts instead of shown under non- revenue receipts.	Since, there was no Revenue Accounting Officer, it should be accounted under non-revenue receipts.	Eventhough the Chief Accounting Officer is not a Revenue Accounting Officer, the Ministry had collected revenue under 04 income codes and reported to the treasury and this had been stated mistakenly under revenue receipts in the statement of financial performance. However, action will be taken to state these revenue collections under non-revenue receipts in future.
(ii) Eventhough a revenue account had been presented along with the financial statements, there was no requirement to present such an account since the Chief Accounting Officer had not been named as a revenue accounting officer.	Presenting a revenue account is not required.	Not commented.

(b) Reconciliation Statements of the Advance Account of Public Officer

Audit Observation	Recommendation	Comments of the Accounting Officer
Action had not been taken to recover loan balances amounting to Rs.120,023, due from an officer who vacated post and Rs.273,045 from two retired officers outstanding over 01 year as per the chapter xxiv of the Establishment Code.	Action should be taken to settle the loan balances.	Actions are being taken to recover the loan balance of Rs.120,023 from an officer who vacated post. Action had been taken to recover the loan balance of Rs.155,493 from a retired officer by now. The other retired officer had retired under the Section 12 of the Government Pensions Scheme and action will be taken to settle the loan balance of Rs.117,552 after receiving judgment of the law case against him.

(c) Imprest Balance

Audit Observation	Recommendation	Comments of the Accounting Officer
Eventhough imprest received amounted to Rs.1,412,400,000 according to the monthly accounts summary, it had been stated as Rs.1,327,400,000 according to the statement of financial performance. Remittances amounting to Rs.85,000,000 in the monthly accounts summary for the month of February of the year under review had been deducted from the imprest value without stating under remittances in the statement of financial performance and as a result, the above difference had occurred.	Imprest from the treasury should be stated accurately.	Since there is no sub topic to state remittances in the statement of financial position as per the format presented by the Department of State Accounts, money returned to the treasury had been deducted from the imprest received.

2. Financial Review
2.1 Expense Management

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Allocations totaling Rs.523,173,407 relevant to 13 votes had been made without a proper study and as a result, allocations within a range of 40 per cent to 94 per cent had remained.	Action should be taken to utilize the allocations in a prudent manner.	The savings relevant to 13 votes which exceeded 40 per cent amounted to Rs.523,173,407.
(b) Since, estimates had been prepared without a proper study, allocations within the range of 35 per cent to 325 per cent out of the estimate value had been transferred between the votes.	Action should be taken to prepare the estimates accurately.	Eventhough estimates are prepared expecting to meet future expenses, expected expenses may not be incurred due to practical conditions. Hence, these allocations had been transferred with the proper approval of the treasury considering the role of the Ministry and requirements arising from that role.

3. Operating Review
3.1 Performance

Audit Observation	Recommendation	Comments of the Accounting Officer
Instructions had been issued by the National Budget Circular No.03/2016 (II) dated 26 July 2017 to submit the valuation reports and all other details directly to the National Insurance Trust Fund by District Secretaries instead of being submitted valuation reports and all other details related to damages on	Action should be taken to specify the role of the Line Ministry in this connection and the control system should be formalized.	Not commented.

disasters to the National Insurance Trust Fund through the Secretary to the Ministry of Disaster Management for the settlement of insurance claims under the National Natural Disaster Insurance Scheme, and to release insurance claims by the National Insurance Trust Fund based on such information. Hence, the scope of the Ministry of Disaster Management in connection with the payment of compensation for natural disasters had been limited.

3.2 Procurement

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) During the audit inspections carried out regarding the bidding process for the procurement of water tanks, water pumps and tarpaulin sheets by the Ministry during the year under review, common deficiencies including lack of bids called under national competitive method, contracts offered without obtaining a performance security and the delays in application of procurement process, due late submission of technical evaluation committee reports, were observed.	The procurement procedure should be followed properly.	Due to the disaster situation occurred in year 2018, this procurement could not be commenced during the appropriate period as planned. After the flooding situation, the cleaning of drinking water wells had been done by the officers of the Sri Lanka Army and Navy.
(b) As at 31 December 2018, 175 Water pumps and 2500 tarpaulin sheets had not been supplied to the Disaster Relief Services Centre, and cheques written for the payment of suppliers amounting to Rs.21,439,737 and Rs.24,987,000 had been remained in hand.		Having understood the availability of limited funds in 2009 through Interim Appropriation Account, orders were placed for these goods. Cheques were not handed over as there was a delay in receiving goods. However, cheques were released after receiving all the goods.
(c) The national competitive bidding procedure had not been followed as per the Section 3.2 of the Government Procurement Guidelines when purchasing 1000 litres water tanks.	Procurements can be done as per the procurement process by making early arrangements for the	As there were limited suppliers in the market for the supply of water tanks and the District Secretaries were requested to supply water tanks promptly due to severe drought, bids

disasters due to were called from 07 suppliers in the drought. market under the limited competitive bidding procedure.

3.3 Management Weaknesses

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) A sum of Rs.624.39 million had been utilized during the years 2017 and 2018 by the District Secretary-Kalutara out of the allocations made for the Ministry of Disaster Management for the resettlement of 699 families out of 1444 families that had been identified to shift from their places due to flooding, landslides and high risks of landslides occurred during the year 2017 in 12 Divisional Secretariats in Kalutara District. The beneficiaries of the resettlement had been selected and registered as per the guidelines issued by the Ministry. However, specific time frame had not been given for them to select alternative opportunities of resettlement. Every though the list of beneficiaries should be displayed for public for 07 days, evidences of such a public display were not furnished to audit. Only foundations of 167 houses had been placed as at 31 December 2018 by incurring a sum of Rs.33.40 million out of government funds amounting to Rs.121.20 million given for the construction of houses in a crown land, a land owned by beneficiaries and a land purchased by beneficiaries on government funds.</p>	<p>Prompt action should be taken to move the identified families from their places due to landslides and high risks of landslides. The allocations should be utilized for the relevant activity.</p>	<p>It was and additional effort to find suitable land plots which are free from landside risks in the same districts for the resettlement of people lived in landslide-prone regions. Further, motivating people to shift from landslide effected areas and resettlement in selected lands were challenging targets. There were practical difficulties in taking a follow up action regarding the utilizations of government proceeds.</p>
<p>(b) Eventhough 312 families living in risk areas in the Divisional Secretariat of Ehaliyagoda in</p>	<p>The requirement of a proper programme is emphasized to facilitate the people in risk</p>	<p>Not commented.</p>

Ratnapura district had been identified, construction of houses had been commenced for 150 beneficiaries only. Two lands had been identified for the resettlement of 97 beneficiaries, but the relevant activities had not been completed even by the date of audit on 28 March 2019. Even though 264 families had been identified in the Ayagama Divisional Secretariat for resettlement, the construction of houses after finding the land plots had been commenced only for 151 families as at 31 December 2018. Identification of lands only had been done for the remaining 113 families by the date of audit on 02 April 2019.

- (c) On the recommendations of the National Building Research Organization, 2098 estate and non-estate families living in high risk regions in the Kandy District, had been recognized. Eventhough allocations amounting to Rs.93.30 million had been released to 6 divisional secretariats by the Ministry during the year under review for the implementation of permanent housing construction projects in respect of 328 identified families out of the above families, allocations amounting to Rs.50.80 million had been remitted back to the Ministry as at 31 December 2018. According to the report of the National Building Research Organization, it had been proposed to resettle 25 estate houses and 24 non-estate houses in high risk regions in the Doluwa Divisional secretariat. However, any family had not been moved from high risk regions and resettled even as at 22 March 2019. This had been caused
- The requirement of a proper programme is emphasized to facilitate the people in risk areas in a prompt manner.
- Not commented.

due to the conflicting recommendations given by the Building Research Organization regarding the appropriateness of resettling persons in the Lorawatta crown land identified in the year 2016. A private land with an extent of 25 acres in close proximity to Kurunduwatta town had been selected for the resettlement of 162 families in Berawila area that was identified as high risks zones due to landslides conditions occurred in Kurunduwatta area in the Ganga Ihala Korale Divisional Secretariat during the year 2016 and provisions amounting to Rs.35.40 million had been given to the District Secretary Kandy for the resettlement activities. Accordingly, a sum of Rs. 30.60 million had been paid on 16 November 2018 for 153 families to build houses. However, it was observed that 125 families of the above, had remained high high risk areas without building houses even as at 08 April 2019. It had been identified 99 estate families and 13 non-estate families living in landslide prone areas in the Udunuwara Divisional Secretariat and provisions of Rs.30.80 million had been released to Kandy District Secretariat for resettlement activities. However, that money had not been used even by 31 December 2018.

- (d) The relevant document were not furnished to audit to prove that 40 water tanks and 2 water bowsers had been given to the Nuwara-Eliya District Office for disaster relief services by the disaster relief services Centre during the year 2016 and 2017. Further, a water tank given to the Kothmale Divisional Water tanks should be used for the given purpose and document should be maintained properly. An action should be taken to established and efficient procedure for the safety of water tanks. Not commented.

Secretariat office had been misplaced.

(e) The following observations are made regarding drought disaster relief services.

(i) In order to implement the drought relief assistance programme during the year under review to provide relief services for the affected people due to served dry climate, 451, 224 beneficiaries in 14 District had been identified. Allocations amounting to Rs.700 million had been released to District Secretariat as advances on 25 September 2018 for the implementation of the Programme. However, action had been taken to take back those allocation on 09 October 2018 based on the instruction of the secretary to the Ministry of Disaster Management. Eventhough subsidies should be given monthly for a period of 03 months from 20 September 2018 onwards, under the stage II of the Relief Assistant programme according to the Cabinet Memorandum, subsidies relevant to the first instalment had not been completed even as at 31 December 2018.

(ii) A sum of Rs.25 per one bag for administrative expenses of Divisional Secretariat offices and Rs.35 per one polysack bag used for packing subsidies which totaled Rs.60 had to be incurred for one additional bag. Accordingly, it was revealed that a sum of Rs.9,640,718 for 14 District Secretariat offices as administrative expenses during the year under review and a sum of Rs.14,495,000 for polysack bags which aggregated

By the implementation of an investigation programme though the intervention of the Ministry to specify the families ought to receive drought subsidies, it is possible to done post review thereon. Accordingly, maximum benefits can be given to the affected families though effective utilization of funds.

According to the explanations of the Ministry regarding drought subsidies, certain delays had occurred due to the gradual increase in the number of affected families in Anuradhapura district later on and due to the commitment made to prepare a systematic mechanism to distribute the subsidies.

to Rs.24,135,718 was an uneconomic expenses and there was a possibility to give those monies to beneficiaries as subsidies.

(iii) Action had been taken to provide drought subsidies for 123,058 farming families in Anuradhapura District and the following matters were revealed during the samples test carried out in that regard.

- Eventhough 1050 and 1971 families in Galenbundunuwewa and Thalawa divisional Secretariats respectively had been identified to provide subsidies, it was revealed that subsidiaries had been paid for 11,017 and 11,084 families respectably.
- The list of beneficiaries in 04 Grama Niladhari Divisional Secretariat had been revised without an approval and subsidies had been including 137 other names.
- During the audit carried out in 3 randomly selected Grama Niladhari divisiona in Kahatagasdigiliya, Novhvhiyaama and Thalawa divisional Secretariats, even though mother/father are living with the married children as one family unit, those families and stated as 02 units and 259 families had obtained subsidiaries.

(f) As per the Section 2(a) in the Chapter 08 of the Sri Lanka Disaster management Act, the Ministry should prepare the National Disaster Management Plan. Even though a sum of Rs.02 million had been given to the Disaster

The activities of the National Disaster Management plan should be finalized.

Actions are being taken to prepare the National Disaster Management Plan for the period of 2018 – 2030 by the Disaster Management Centre and to submit for the approval of the Cabinet of Ministries.

Management Centre during the year 2017 by the United Nations Development Programme for the preparation activities of a new plan for the time period of 2018-2030, it had not been finalized even by 31 December 2018.

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| (g) | A sum of Rs.1,300,000 had been given to the Disaster Management Centre in the year 2015 by the United National Development Programme in order to prepare plan according to the international accepted Sendai Framework. Eventhough a sum of Rs.318,582 out of that had been incurred by the Centre as at 31 December 2017, such a plan had not been prepared. The Centre had informed to the audit that the preparation of the above plan should be done by the Ministry in preceding year. However, even the Ministry had not taken actions to prepare such a plan even as at 31 December 2018 | The disaster risk reduction plan should be prepared according to the internationally accepted Sendai frame work. | According to the Internationally agreed terms, situation report relevant to our country and the preparedness plan had been prepared and directed to the UN office for disaster risk deduction by the Ministry in addition of that, it had been planned to established an implement 7 global targets |
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04. Achievement of Sustainable Development Goals

The following observation is made.

Audit observation	Recommendation	Comments of the Accounting Officer
Every public institution should act according to the “2030 Agenda for Sustainable Development” set by the United Nations. However, the Ministry of Disaster Management had not implemented the activities under its scope during the year under review accordingly.	The Ministry should implement the activities according to the 2030 Agenda for Sustainable Development set by United Nations.	A work shop to make aware the officers of the Ministry and other institutions under the purview of the Ministry regarding the achievement of sustainable development goals and a work shop to prepare the required indicators were held under the resource contribution of the Secretary Office for the Sustainable development Goals. It had been planned to prepare and implement 07 national targets in accordance with 07 global targets under the Sendai Framework.

5. Good Governance
5.1 Providing Services to the Public
5.1.1 Disaster Relief Account

The following observation is made.

Audit Observation

Eventhough donations amounting to Rs.294,453,005 had been received from local and foreign donors as at 06 August 2018 to the account opened for the collection of donations to provide relief services to the affected people due to emergency disaster situations, actions had not been taken to fulfill the aims of donors out of the funds. This fund also included US\$ 01 million received from the Republic of China.

Recommendation

The donated money should be used in a way that fulfills the aims of the donors.

Comments of the Accounting Officer

The funds that were credited by donors to the account bearing No.7040171 in order to provide relief services for the affected people due to emergency disaster situations, had been expected to utilize for the resettlement housing project that was carried out for the people shifted from their places due to flooding, landslides, and high risk of landslides. Instructions had been received to utilize the US\$ 01 million received from the Republic of China to this account on 24 July 2018 for a disaster reduction project and required actions are being taken to identify suitable projects in this regard through the Irrigation department and National Building Research Organization.

The required actions are being taken to obtain the approval of the Cabinet of Ministers to utilize the remaining funds in the account for the following activities.

- (i) To purchase and provide a raincoat, pair of boots and a rechargeable torch to Disaster Relief Services Officers in divisional secretariats and Grama Niladhari Officers working in 9000 Grama Niladhari divisions within those secretariats.
- (ii) To purchase 300 chainsaws for district disaster management units.
- (iii) To purchase 100 locks for district disaster management units.

06. Human Resources Management

The following observation is made.

Audit Observation	Recommendation	Comments of the Accounting Officer
Eventhough the approved cadre of the Ministry was 113, the actual cadre was 78 and therefore, there were 35 vacancies in the staff.	Actions should be taken to recruit staff and fill the vacancies.	Out of the above vacancies, 17 positions are from graduates and Development Officers and it had been informed to the Public Administration Division to fill those vacancies. Two vacancies for Drivers had been already filled and dates had been fixed for the interview to recruit 04 Office Assistants. It had been informed to recruit through the relevant competitive examinations and assign for the 03 vacancies in Public Management Assistants and 01 vacancy for Assistant Secretary.