

## **Disaster Management Center - 2021**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Disaster Management Center for the year ended 31 December 2021 comprising statement of financial position as at 31 December 2021, 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 accompanying financial statements give a true and fair view of the financial position of the Disaster Management Center as at 31 December 2021, and financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

#### **1.2 Basis for Qualified Opinion**

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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**

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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 Center 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 Disaster Management Center or to cease operations, or has no realistic alternative but to do so.

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

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

#### **1.4 Audit Scope**

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

## **1.5 Audit Observations on the preparation of Financial Statements**

### **1.5.1 Non-Compliance with Sri Lanka Public Sector Accounting Standard**

<b>Non-compliance with reference to the standard</b>	<b>Comment of the Management</b>	<b>Recommendation</b>
Action had not been taken to review useful life time of the fully depreciated already using 04 type of assets valued at Rs. 486.8 million in terms of the Sri Lanka Public Sector Accounting Standard and show in the financial statements.	Action is being taken to revalue the assets that can be used and disposal the assets that are unable to use in next years.	Action should be taken as per the Accounting Standard.

## **2. Financial Review**

### **2.1 Financial Result**

Operating result of the year under review was deficiency of Rs.38.98 million and the corresponding deficiency of the preceding year was Rs.66.72 million Accordingly, it was observed an improvement of Rs.27.74 million in the financial result. decrease in expenses during the year under review compared with the preceding year mainly affect to this improvement.

### 3. Operating Review

#### 3.1 Management Inefficiencies

Audit Observations	Comments of the Management	Recommendations
(a) Eventhough main office building of the center had been constructed by incurring a Rs.1,034 million in a land belong to the Department of Metrology since year 2010, action had not been taken to obtained the legal ownership of the Land up to now.	Action is being taken to take over the land which located the building to the name of the State Ministry of Disaster Management by the Disaster Management Division.	Action should be taken to take over the ownership of the building and the Land to the center legally.
(b) National Disaster Management Plan had not been prepared by the end of the year under review and preparation activities of the Human Resources Policy had not been completed even up to 30 March 2022.	Several plans have been prepared and arrangements have been made to summit the most suitable plan in line with the Sendai Framework of Action and other disaster risk reduction convention.	National Disaster Management Plan and Human Resources Policy should be prepared promptly.
(c) Eventhough amendments to the Disaster Management Act No. 13 of 2005 had been commenced since year 2008, respective amendments had not been submitted for the approval of the Parliament up to 31 December 2021.	It is place to inform that the amendment to the Disaster Management Act No. 13 of 2005 is an activity carried out by the Disaster Management Division.	Action should be taken to obtained the approval of the Parliament by making amendments to the Act.

#### 3.2 Procurement Management

Audit Observation	Comment of the Management	Recommendation
According to the test check carried out regarding the procurement of solding	It is to inform that the respective activities had been	Action should be taken to compliance with the

beds valued at Rs.11.8 million, carried out by taking decision procurement Guidelines. eventhough supply of 552 beds out of to pay balance amount after recovering the delay charges 1,000 beds had been delayed 83 days, for the supply of balance 448 beds by the Procurement action had not been taken recover the delay charges as per the agreement. Committee.

### 3.3 Carder Administration

Audit Observation	Comment of the Management	Recommendation
Eventhough approved carder of the Center was 465 as at 31 December 2021, it was revealed that the since staff staff employed in service was 302 vacancies of 163 was remained. Out of the vacancies 134 vacancies was secondary level, 25 vacancies was senior level and 04 vacancies was tertiary level.	Approved carder of the Disaster Management Center as at 31.12.2021 was 465 and staff employed in service was 302 and vacancies was 163.	Action should be taken to revised the approved carder to fulfil the vacancies prevailed in the staff.

## 4. Accountability and Good Governess

### 4.1 Annual Action Plan

Audit Observation	Comment of the Management	Recommendation
(a) According to the Action Plan, A sum of Rs. 350 million had been received for the landslide project to the Center and the financial progress was shown as 139.29 million. Accordingly, eventhough less than 50 per cent of the provision had been incurred, physical progress of 75 per cent had been shown without being evaluated adequately.	According to the issues prevailed in the estimates, physical progress of 72% had been achieved, due to projects could not been implemented as scheduled.	Action should be taken as per the action plan.
(b) It was scheduled to implement 11 projects by using Rs. 10 million which was allocated for the multy hazard risk assessment	Since the initial activities of the commencement of the project required to be carryout in the filed, those	Action should be taken as per the action plan.

during the year under review. However, Expected objectives could not be achieved, due to non- achievement of activities expected to be carried out by the projects. are unable to commenced, due to pandemic situation prevailed in the country.

- (c) even though 557 training programmes had been scheduled by incurring Rs. 25 million by the training division according to the Action plan, 197 training programmes had only been implemented. Therefore, balance amount of the allocated expenditure had to be reimbursed to the Ministry. Under the approval of the Interim Management Committee of the Disaster Management Center, Rs. 15 million had been given for the activities of the Structural Risk Reduction on 10.08.2021, due to training and awareness programme could not been implemented with the contribution of people. However, Structural Mitigation project also could not been implemented, due to prevailed situation. Action should be taken as per the action plan.