

Disaster Management Centre - 2014

The audit of financial statements of the Disaster Management Centre for the year ended 31 December 2014 comprising the statement of financial position as at 31 December 2014 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 Auditing 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 procedures 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 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 audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described 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 free and fair view of the financial position of the Disaster Management Centre as at 31 December 2014 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 Sri Lanka Public Sector Accounting Standards

According to the Sri Lanka Public Sector Accounting Standards No. 07, fully depreciated assets at a cost of Rs.24,149,095 which were in use as at 31 December of the year under review had not been revalued and accounted the fair value of those assets.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) The cost of 52 Projects which were not completed as at 31 December of the year under review amounted to Rs.343,460,435 and the respective value had been shown in the financial statements as completed Projects.
- (b) Action had not taken to get transfer the ownership of 12 Motor Cycles received by the Centre in 2010 from United Nations Organization and brought to account the value of such assets.
- (c) Office furniture valued at Rs.93,455 procured by the Centre during the year under review had been accounted as repairs to the office furniture instead of accounting as assets.

2.2.3 Lack of Evidence for Audit

A sum of Rs.5,140,984 had been released during the year under review by the National Council for Disaster Management to the District Secretary of Hambantota to commemorate National Security Day. However, the evidence were not made available to confirm the expenses incurred thereon.

2.3. Non- compliance with Laws, Rules Regulations and Management Decisions

The following instances of non- compliances were observed in audit.

Reference to Laws, Rules and Regulations

Non- Compliance

- (a) National Budget Circular No. 1/2014 of 01 January 2014 of the Ministry of Finance and Planning
- Before providing allowances of vehicles and fuel, for the officers who employed on secondary basis, a written confirmation is required to be taken to confirm whether the respective facilities are not provided from the permanent work place. However, an officer who recruited on that basis had been provided such facilities for 05 months period without a written confirmation.
- (b) Presidential Secretariat Circulars No. PPA/6/1//1 of 31 December 1993 and No. CA/1/1/16/1 of 09 July 2010
- The public officers who participated for official visits in abroad are required to submit a report according to the format in the Attachment E of the Circular within 07 days after returning to the island. However, 07 officers who visited abroad to participate for 14 workshops and seminars in abroad had not submitted the reports specified.
- (c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka
- (i) Financial Regulation 104 and Financial Regulation 110
- Eventhough 09 motor vehicles belonging to the Centre had met with 10 accidents during the year under review, neither preliminary investigation report nor completed report had submitted. Further, the details of such accidents had not been included in the Register of Losses.
- (ii) Financial Regulation 371 (2) (b) and (5)
- The advances granted should be settled immediately after the completion of the intended purpose. However, advances aggregating Rs.254,900 granted in 23 instances had been settled with delays ranging from 02 to 10 months. Further, the action should be taken to settle all the advances granted as at 31 December of every year. Such unsettled balances at the end of the year under review amounted to Rs.1,885,238.

- Eventhough the direct payments could have been made for the expected supply or service, the allocation had been released as advances to the District Secretaries to repair vehicles assigned to the District Offices,. The advances aggregating Rs.557,154 so provided had not been settled even as at 31 December of the year under review.

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 surplus of Rs.2,616,060 as against the deficit of Rs.9,452,720 for the preceding year. Accordingly, the financial results for the year under review had increased by Rs.12,068,780 as compared with the preceding year. The increase of income by Rs.30,072,057 as against the increase of operational expenditure of the Centre by Rs.18,003,277 had been the reason for the improvement of the financial result.

4. Operating Review

4.1 Performance

(a) The Disaster Risk Mitigation projects had been implemented by the Disaster Management Centre to identify the disasters occurred due to floods, landslides, droughts, gales and animal attacks etc in the various regions of the island and mitigate such risks. Therefore, a sum of Rs.537,032,019 had been estimated to implement small, medium and large scale projects during the year under review. Further, the provisions aggregating Rs.538,817,431 had been released during the year under review to the Divisional Secretaries to implement the projects related to disaster risk reduction purposes. The following observations are made in this connection.

(i) According to the Action Plan of the Ministry of Disaster Management prepared for the year under review , it was indicated that to implement 148 projects by the Centre. However, Action Plan of the Centre comprised with 108 projects and thus observed that the Action Plan of the Centre were not in compliance with the Action Plan of the Ministry.

(ii) All the project activities which were indicated as the work – in – progress as at 31 December 2013 were required to be included in the Action Plan for the year under review. However , activities of the project implemented to rehabilitate the riprap of the Punchi Appu Jandura Reservoir in Hambantota District which was not

completed as at 31 December 2013 had not been included in the Action Plan for 2014 eventhough it was completed in 2014 by incurring Rs.4,160,000.

- (iii) Eventhough a proper project proposal is required to be submitted before making provision for a project, funds for 108 projects had been released without having project proposals. The estimated cost of such projects amounted to Rs.324,553,620.
 - (iv) The District Assistant Directors had been informed by the Centre through an Internal Circular dated 25 November 2013 that the advances for the Project would only be 40 per cent of the total estimated value of the Project. However, advances ranging from 42 per cent to 77 per cent of the total estimated value had been made for 09 Projects without considering the above mentioned limit.
 - (v) At the initial stages of the disaster mitigating projects, it was necessary to enter into the agreements with the contractors. However, the agreements of 71 disaster mitigating projects entered at a total estimated value of Rs.230,209,426 had not been furnished.
 - (vi) After the implementation of the disaster mitigating project the requisition letters to authorize to incur expenses, receipts issued by the District Secretaries and reports of completion etc are required to be furnished to the Centre. However, the required information had not been furnished for 167 projects implemented during the year under review at an estimated cost of Rs.501,132,349.
 - (vii) After releasing of funds for disaster mitigation projects, it is required to inspect the physical progress of such projects. Similarly, at the time of releasing of balance amounts on rental basis after initial advances, the follow up actions are required to be made. However, the reports on follow up actions taken on projects implemented in 22 districts had not been included.
- (b) Eventhough 143 small and medium level projects had been implemented during the year under review, action had been taken to refund the balances unspent by 37 project only as at 31 March 2015, the date of audit. The balances unspent had not been refunded by 106 Projects as at 31 March 2015 due to lack of reports of expenditure. Therefore, action had not been taken to establish a methodology to get refunded the amounts allocated for disaster mitigation projects to the Centre without retaining at the District Secretariats.

The following observations are made in this connection.

- (i) According to the information furnished by the Centre, it was indicated that 09 small and medium level disaster risk mitigation projects had remained uncompleted at the end of the year under review. However, according to the performance reports furnished by 13 district offices it was observed that the works of 27 projects for which advances amounting to Rs.95,983,256 released were remained uncompleted in addition to the above 09 projects.

- (ii) Further, total estimated amount of Rs.46,534,568 had been released to the Districts Secretaries in 03 districts to implement 20 projects. However such projects had not been implemented even as at 31 December 2014.
- (c) The activities of 03 major Projects which was expected to be completed during the year under review had been implemented during the year under 2011. According to the progress reports of such projects, activities of floods mitigation projects in Kalutara and Panadura areas and floods mitigation project in Dambulla area had not been completed even upto March 2015. Further, the progress reports of the Jaffna Peninsula floods mitigation project were made available to audit.
- (d) In view of mitigation of disaster risk, the planning of pre preparation activities are organized by the Disaster Management Centre. There were 797 programmes had been planned during the year under review for pre preparation planning activities and a sum of Rs.8,003,000 had been remitted to the Districts Secretaries for that purpose. Eventhough the action plans at the commencement of the programme and the work done reports at the end of the programmes had been prepared on such programmes, the reponse of the participants and recommendation to solve the problems had not been included in such reports.

4.2 Management Inefficiencies

The following observations are made.

- (a) An Information Communication Centre had been established in Padukka area by the Disaster Management Centre in 2009 and equipment valued at Rs.72,471,168 had been fixed therein. However, this Centre had not been functioned since 2011 to 31 December of the year under review and such equipment had been dismantled and remained at the stores of the Centre as at 15 May 2015.
- (b) Eventhough a sum of Rs.6,778,353 had been paid annually to the American Signals Corporation to connect 77 Tsunami early warning signal towers with the Satellite technology which were established in 14 districts under the Netherlands foreign aids, action had not been taken to enter into a Memorandum of Understanding.
- (c) A sum of Rs.10,260,000 had been received during the year under review to the Centre from United Nations Organization to implement various activities under the Disaster Resilient City Development for cities in Sri Lanka Project and out of that a sum of Rs.7,410,000 had not been utilized for intended purposes and returned to the General Treasury.
- (d) Out of the equipment procured by the Centre during the year under review for emergency reaction purposes, 13 items of equipment valued at Rs.13,193,408 had remained at the stores without being distributed even as at 31 December of the year under review.
- (e) The office building of the Centre constructed in 2010 in a land belonging to the Metrological Department. However the action taken to transfer the ownership of the land had not been finalized even as at 30 June 2015.

- (f) Eventhough 07 years were elapsed on misplacing of the goods valued at Rs.206,011 of the Centre , action had not been taken either to recover or to write off the value of the assets.
- (g) Action had not been taken to recover the dues of a sum of Rs.272,168 from 02 officers since 2011 and a sum of Rs.132,000 from another 02 officers of the Centre in 2014 who were determined at the disciplinary inquiry as the wrong doers.
- (h) A vehicle belonging to the Centre had met with an accident in January of the year under review and loss calculated thereon amounted to Rs.168,645.The officer who responsible for the loss had been informed in July of the year under review to recover the loss. However, the Centre had failed to recover the loss even as at 30 June 2015.

4.3 Staff Administration

The following observations are made.

- (a) The number of actual cadre positions as at 31 December 2014 were remained as 224 whilst the 257 positions approved , thus there were 33 positions remained vacant. The vacancies existed for the posts of a Director, 07 Deputy Directors, 02 translators and 03 Communication Technical Officers were remained for over 04 years without taking action to fill even up to 30 June 2015.
- (b) Disaster Prevention and Mitigation Division of the Centre was consisted with a Director (Operations) and 03 Assistant Management Officers. However, a Deputy Director, Assistant Director and Technical Officers required for the reviewing of follow up actions taken by the projects had not been appointed.

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 31 August 2015.

5.2 National Emergency Operating Plan

This plan had remained at the draft stage up to 31 May 2015.

5.3 Internal Audit

Eventhough an Internal Audit Unit had been established, only 02 Internal Audit officers had been attached and as such it could not be carried out an adequate internal audit to cover the activities of the Centre.

6. Systems and Control

Weaknesses in system 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 the following areas of control.

- (a) Accounting
- (b) Disaster Risk Mitigation Projects
- (c) Staff Administration